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China Report

ECONOMIC AFFAIRS

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21 June 1984

CHINA REPORT ECONOMIC AFFAIRS

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

- GUANGMING RIBAO Advocates Two-Level Distribution
(He Tianzhong; GUANGMING RIBAO, 20 May 84)..... 1
- Xizang Official Welcomes Regional Autonomy Law
(XINHUA, 7 Jun 84)..... 5

PROVINCIAL AFFAIRS

- Nei Monggol: Bu He's Government Work Report
(Nei Monggol Regional Service, 31 May 83)..... 6

ECONOMIC PLANNING

- Liaoning Leader on Economic, Social Planning
(LIAONING RIBAO, 25 Mar 84)..... 9
- Forum Discusses Development of Western Hunan
(Hunan Provincial Service, 30 May 84)..... 11
- New Economic Service Agency Planned
(XINHUA, 21 May 84)..... 13
- Hainan Official Discusses Development Plans
(ZHONGGUO XINWEN SHE, 24 May 84)..... 14
- Hubei: Conclusion of Wuhan Development Meeting
(Hubei Provincial Service, 7 Jun 84)..... 15

| | |
|------------------------------------------------------------------------------------------------------|----|
| Briefs | |
| Motor Vehicle Production Figures | 16 |
| Rural Town Development Circular | 16 |
| AGGREGATE ECONOMIC DATA | |
| Liaoning: Communique on 1983 Economic Development (LIAONING RIBAO, 5 May 84)..... | 17 |
| ECONOMIC MANAGEMENT | |
| Hubei: Authorities' Views on Urban Economic Reform (Hubei Provincial Service, 24 May 84)..... | 25 |
| Hunan To Expand Enterprises Decisionmaking Power (Hunan Provincial Service, 22 May 84)..... | 31 |
| Discussion of Theory of Independent Management (Wang Rongchang; GUANGMING RIBAO, 20 May 84)..... | 33 |
| Hubei: Circular Calls for Strengthening Inspection (Hubei Provincial Service, 26 May 84)..... | 36 |
| Anhui Adopts More Flexible Bonus Policy (Chen Baoshan, Xu Peiying; RENMIN RIBAO, 1 Apr 84)..... | 38 |
| Liaoning Achieves Good Results in Enterprise Consolidation (LIAONING RIBAO, 26 Mar 84)..... | 40 |
| Group Says Enterprises Must Reorganize Leadership (XINHUA, 22 May 84)..... | 41 |
| GUANGMING RIBAO Discusses Enterprise Autonomy (Rong Chang; GUANGMING RIBAO, 20 May 84)..... | 43 |
| Guangdong Survey Team Views Jiangsu Development (Ye Deshi; YANGCHENG WANBAO, 24 May 84)..... | 48 |
| Tianjin: Agreement Signed on Tianjin Harbor Administration (Tianjin City Service, 31 May 84)..... | 50 |
| Hunan County Enterprises Learn From Shenzhen (Hunan Provincial Service, 26 May 84)..... | 51 |
| Article on Production-Marketing Relationship (Xu Hongsheng; RENMIN RIBAO, 28 May 84)..... | 53 |
| Other Areas Welcome To Aid Yunnan's Development (Yunnan Provincial Service, 30 May 84)..... | 55 |

| | |
|---------------------------------------------------------------------------------------------------------------|----|
| Nei Monggol: Provisions on 2d Light Industrial Units Issued (Nei Monggol Regional Service, 28 May 84)..... | 57 |
|---------------------------------------------------------------------------------------------------------------|----|

Briefs

| | |
|-----------------------------------------|----|
| Guangdong Technological Transformation | 59 |
| Chongqing Long-Term Economic Agreements | 59 |
| Wuhan City Economic Experiments | 60 |
| Bonus Policy in Fujian | 60 |

FINANCE AND BANKING

| | |
|-------------------------------------------------------------------------------------------------|----|
| Improving Economic Results Emphasized (Shen Guohua; CAIZHENG [FINANCE], No 4, 8 Apr 84)..... | 61 |
|-------------------------------------------------------------------------------------------------|----|

INDUSTRY

| | |
|--------------------------------------------------------------------------------------------------------------------------------|----|
| China's Automotive Industry: Problems and Prospects (Li Gang; QICHE GONGCHENG [AUTOMOTIVE ENGINEERING], No 1, 1984)..... | 67 |
|--------------------------------------------------------------------------------------------------------------------------------|----|

| | |
|----------------------------------------------------------------------------------------------------|----|
| Shenyang Industry Makes Progress in January, February (Yang Jicai; RENMIN RIBAO, 9 Apr 84)..... | 91 |
|----------------------------------------------------------------------------------------------------|----|

| | |
|-------------------------------------------------------------------------------------------|----|
| Fujian State-Run Industrial Enterprises Reduce Deficits (FUJIAN RIBAO, 31 Jan 84)..... | 93 |
|-------------------------------------------------------------------------------------------|----|

| | |
|-------------------------------------------------------------------------------------------|----|
| Hubei Industrial Enterprises Reduce Deficits (Wei Haimin; RENMIN RIBAO, 4 Apr 84)..... | 95 |
|-------------------------------------------------------------------------------------------|----|

| | |
|----------------------------------------------------------------------------------------------------------------|----|
| Gansu Improves Economic Results in January, February (Zhou Guohua, Cao Yongan; RENMIN RIBAO, 2 Apr 84)..... | 96 |
|----------------------------------------------------------------------------------------------------------------|----|

| | |
|---------------------------------------------------------------------------------------------|----|
| Hunan Industrial Production Improves in February (HUNAN JINGJI XINXIBAO, 25 Mar 84)..... | 98 |
|---------------------------------------------------------------------------------------------|----|

Briefs

| | |
|----------------------------------------|-----|
| Fujian Industrial Output | 100 |
| Sichuan Industrial Production Progress | 100 |
| Sichuan April Industrial Production | 100 |

CONSTRUCTION

| | |
|------------------------------------------------------------------------------------------------------------------|-----|
| Technical Measures of Urban and Rural Construction (Wang Sen Hua; JIANZHU [ARCHITECTURE], No 3, 7 Mar 84).... | 101 |
|------------------------------------------------------------------------------------------------------------------|-----|

TRANSPORTATION

| | |
|------------------------------------------------------------------------------------------------|-----|
| Wuhan To Build New 12 Berth Shipping Port (Liu Yusheng; ZHONGGUO XINWEN SHE, 5 Jun 84)..... | 104 |
|------------------------------------------------------------------------------------------------|-----|

Briefs

| | |
|----------------------------------------|-----|
| Shandong Railway Construction | 105 |
| Sichuan Shipping Coordinated Transport | 105 |
| Liaoning Railway Expansion | 105 |
| Shaanxi Roads, Motor Vehicles | 105 |
| Shanghai-Mediterranean Cargo Route | 106 |
| Tianjin-W. Europe Shipping | 106 |
| Rail Electrification Project | 106 |
| Quangdong Toll Bridge Opens | 106 |

PUBLICATIONS

Briefs

| | |
|-----------------------------------------|-----|
| Shanghai Industrial, Business Directory | 108 |
|-----------------------------------------|-----|

NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ADVOCATES TWO-LEVEL DISTRIBUTION

HK300639 Beijing GUANGMING RIBAO in Chinese 20 May 84 p 3

[Article by He Tianzhong [6320 1131 0022]: "An Inquiry Into Two-level Distribution"]

[Text] Two-level Distribution Is a Breakthrough in the Reform of the Distribution System

Over a long period of time, our country has implemented a highly concentrated one-level distribution system. To sum up, the malpractice of such a system is that the state has provided a "big pot" for the enterprises to eat from, while the enterprises have provided a "big pot" for the workers and staff to eat from. The reform of the wage system is intended to do away with such malpractices, so as to better bring into play the initiative of the enterprises and that of the workers and staff.

Two-level distribution is intended to set up the wage administration structure of the state over the enterprises, and that of the enterprises over the workers and staff. Its characteristics are:

1. Through the implementation of the assumption of sole responsibility for profits or losses, wages will be closely linked with the results of production management of the enterprise. This means that the state will stipulate the chief economic indexes and the total wages of the enterprise (considerations may be given to including the total consumption funds of the enterprise) and the rational floating proportion between the two. The total sum of wages to be retained by the enterprise will be fixed on the basis of the fulfillment of the chief economic indexes by the enterprise. The total sum of wages of the enterprise will no longer be a neverchanging, absolute sum, but one which floats and changes with the actual conditions of the production task and economic results.

2. Within the range of the total sum of wages retained by the enterprise, under the guidance and supervision and the stipulations of state policies, the enterprise will itself determine the distribution among its workers and staff. Questions such as the promotion of its workers and staff, the standards for subsidies and bonuses, and the wage form to be adopted will all be decided on by the enterprise itself. The state will only make stipulations on a generally unified wage standard or the range of wage differences.

3. The wages fund of the enterprise should come from the net output value of the enterprise. This means that after the fulfillment of state deductions (such as taxation and profits), part of its net income will remain with the enterprise as retained funds, while another part will be distributed to the workers and staff as their wages.

Generally speaking, the conspicuous merit of two-level distribution is the combination of the interests of the state, the enterprise, and the workers and staff on the basis of production and economic results. In this way, the state will change its passive position into an active one, and rid itself of the difficulties in collecting, in a unified way, funds for the reform in the wage system of the enterprises and for the readjustment of wages. Likewise, the enterprise and its workers and staff can also change their passive positions into active ones and, on the basis of raising economic results, they can reform the wage system of the enterprise and raise the wage level of the workers and staff. Two-level distribution is a breakthrough in the reform of the wage system.

The Theoretical Grounds and Basis of Practice of Two-level Distribution

The implementation of two-level distribution does not come out of the void but has its theoretical grounds.

First, distribution according to work is the exchange of labor in equal amounts. In modernized mass production, only when the whole course of the production and operation of the enterprise is completed will social products and economic results come into being. It is impossible for the individual worker or staff member to provide products to society or to create value by himself.

Second, such exchange of labor in equal amounts is the abstract exchange of labor, in equal amounts on average, necessitated by society. Therefore, the income of the workers and staff must be linked to the results of production and management of the enterprise.

Some comrades stress that distribution according to work is the distribution of means of subsistence of the individual worker, but that two-level distribution regards the relation between the state and the enterprise as that of distribution according to work, which is wrong, and has revised the principle of distribution according to work, changing the nature of enterprises with ownership by the whole people. True, Marx' original supposition was the direct socialization of labor, and that society would directly implement the exchange of labor in equal amounts. At present, it is still necessary for us to develop commodity production, and to develop diversified economic factors. Because of the differences in social economic condition, we should not rigidly adhere to the formula formed on the past supposition. This is not revising the inherent meaning of distribution according to work. Two-level distribution is intended to get rid of the differences in income brought about by objective factors with great efforts, and to appraise and decide the reward for work on the basis of the results of collective labor. The

implementation of two-level distribution does not necessarily negate the stipulated unified wage standards. However, the existing unified wage standards chiefly give expression to the potential differences in work abilities, but fail to differentiate the daily, practical work amounts in production. The implementation of two-level distribution will improve this, and make the relationship between reward and work more rational. Neither does two-level distribution negate the law of proportion in a planned way. The state's stipulations that the wages of the enterprise should be linked, in proportion, with the results of production and management, and on the maximum for wage growth are the control under a macroscopic plan. Therefore, it does not involve a change in the nature of the ownership by the whole people.

Two-level distribution derives from practice. Since the 3d Plenary Session of the 11th CPC Central Committee, the decisionmaking power of the enterprises has been expanded, the practice of fixing a percentage of profit for retention has been implemented, and a small portion of the income of workers and staff, namely their bonuses, is beginning to be linked to the economic results of the enterprises. Over the past 2 years, all the bonuses of many large and medium-size enterprises, and the bonuses together with a small amount of the standard wages of some enterprises have been linked to the profits and taxes of the enterprises. In 1983, the State Council again stipulated that no bonuses are to be listed in the costs of production, but are to be drawn from the retained profits of the enterprises, while requiring the enterprises to spend part of their own funds to implement floating promotion and to conduct experiments in a small number of enterprises in the reform of the wage system with self-raised funds. Through such experiments in reform, the reform in the wage system with self-raised funds has gradually been accepted and supported by the masses, and practice has proved that this has been successful on the whole.

Several Problems That Should Be Solved in Implementing Two-Level Distribution

At present, the question of two-level distribution has roused people's attention. However, in order to implement this system, there are still the problems of the timing of its implementation, of the condition of the development of preparation, and of acquiring further practical experiences.

Our existing price system is still irrational. Under such conditions, while linking wages with the results of production and management, the problems of how to prevent imbalances in treatment caused by differences in the difficulty or ease of making profits, and of how to eliminate the grade differences in income can be very complicated and difficult. However, the setting up of a new, rational price system involves corresponding reserves of financial power and goods and materials, which cannot be achieved within 1 or 2 years. We should not sit and wait for a basic change for the better in our financial situation before we go in for the reform in the wage system, but should take an active part in creating conditions, gradually pushing forward the reform of wages, so as to promote the basic change for the better of our economic situation. If we do not go in for two-level distribution, the total sum of wages will generally be rigidly fixed, and the floating promotion

and promotion with self-raised funds that have appeared since the 3d Plenary Session of the 11th CPC Central Committee will wither or come to a standstill. In that case, even if we carry out the second stage reform of substituting taxes for delivery of profits, the situation of "everybody eating from the same big pot" will remain intact. Therefore, under the premise of ample preparation, the active experimental implementation of two-level distribution within a certain scope is not only desirable but also an urgent need of the objective situation. In fact, it is impossible to evade this problem during the second stage reform of substituting taxes for delivery of profits. As to the irrationality of prices and profits, readjustment can be made through stipulations on different proportions between taxes and profits, on the basis of the net output value of various enterprises or the level of taxes they have delivered to the state in recent years, and by reference to the advanced levels and potentialities of enterprises of the same category.

The crux of the problem in implementing two-level distribution is to enhance macroscopic control and to do a good job in formulating a rational proportion between wages and the results of production and management. It is necessary to make the distribution relationship between the state and the enterprises part of the law. In order to prevent excesses in the expenditure of bonus funds, the measure of tax regulation can be adopted. It is necessary to do systematic scientific research on the economic indexes in implementing two-level distribution linked with wages. Wages are part of the national economy and net output value, and the handling of the wage issue is inseparable from the arrangement of the distribution of national income and net output value. Therefore, it is a pressing matter of the moment to study how to formulate the proportion in distributing the net output value between the state, the enterprise, and workers and staff, so as to implement the system of linking wages with net output value. Some comrades advocate linking wages with taxes or profits delivered to the state. If the taxes or profits delivered accurately express the contributions made by the enterprise to the state, their advocacy can also be taken into consideration. In short, it is not feasible to pursue uniformity, because of the differences, in a thousand and one ways, in characteristics of production and advanced conditions in technology between departments, trades, and enterprises, in particular, under the condition of prices deviating from value.

To sum up, in taking an active part in carrying out experiments in two-level distribution at present, it is necessary to fully consider the complexity of the question; while we should be strong in our determination, we must make our steps steady. The State Council has decided that, beginning from that last quarter of the year, we will carry out the second stage reform in substituting taxes for delivery of profits, and we should do our best to take into consideration the synchronous reform of two-level distribution.

CSO: 4006/568

NATIONAL POLICY AND ISSUES

XIZANG OFFICIAL WELCOMES REGIONAL AUTONOMY LAW

OW070927 Beijing XINHUA in English 0839 GMT 7 Jun 84

[Text] Lhasa, 7 Jun (XINHUA)--A leading Tibetan authority has expressed confidence that the national law on regional autonomy which was adopted last week "will accelerate Tibet's economic and cultural development."

This was stated by Punche, vice-chairman of Tibet Autonomous Regional People's Congress Standing Committee, to XINHUA.

More relaxed policies had been carried out in the region since 1980, he said, including exemption from taxes and state purchase. This was speeding up Tibet's economic growth and improving the people's living standard, he said. In addition, several thousand engineers and technicians from state institutions and developed provinces have been sent to work on 43 projects in Tibet.

About 70 percent of the region's cadres now were of minority nationality, as were the chairmen of the regional and county people's congress standing committees and people's governments, he said.

"Tibet now has over 6,000 cadres specialized in science and technology," he added.

The regional people's government recently decided that all primary schools and junior middle schools must use the Tibetan language in teaching courses. The exception would be urban schools where the students were mainly of Han nationality.

Beginning this year, all students of Han or Tibetan nationality entering institutions of higher learning and vocational schools are required to study Tibetan language. Graduation will depend on passing an examination in Tibetan language.

In recent years, he said, the Tibetan language has come into wide use in the region. All government documents are issued in both the Tibetan and Han languages. Interpreters are provided for important meetings and Tibetan language training courses have been set up for Han cadres in most state institutions in the region. With preparatory work started in 1956, the autonomous region was formally set up in 1965.

CSO: 4020/133

PROVINCIAL AFFAIRS

NEI MONGGOL: BU HE'S GOVERNMENT WORK REPORT

SK010521 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 31 May 84

[Text] In his work report delivered at the second session of the Sixth Nei Monggol Autonomous Regional People's Congress, Bu He, chairman of the regional people's government, stated: In the past year, in resolutely conducting transformation and vigorously grasping economic construction, the cadres and the people of various nationalities across the region created a very good situation in the fields of politics and the economy by uniting as one in waging struggles, working hard, rousing themselves to vigorous efforts in making the region prosperous, and by pioneering the road of advance. Various fronts across the region scored gratifying new achievements which clearly showed that the entire region basically completed the reform of organizational structures at or above the banner-county level, that a large number of middle-aged and young cadres were promoted into leading posts, and that the leading bodies at all levels were further improved with the supply of many young revolutionaries who are full of knowledge and specialized technology. The masses from top to bottom across the region carried out extensive activities of maintaining unity among various nationalities and the thinking of co-existence among various nationalities further struck root in the hearts of the people. National unity was further pushed into another better historic period since the founding of the PRC. The region achieved an obvious turn for the better in public security and social morale by strengthening ideological construction and the enforcement of national legal systems.

In spite of various natural disasters, the region achieved new development in agricultural, animal husbandry, and forestry production. It topped the previous peaks in the total output value of agriculture; in the total output of grains, oil-bearing seeds, and beet; and in the total acreage of tree planting. In upholding the principle of upgrading economic returns, the region maintained a relatively high speed of increase in industrial and communications production. Its industrial total output value topped its previous peak. The region brought under control the scale of capital construction and secured the construction of key projects.

The region's financial revenues scored a large-scale increase and basically fulfilled the fixed target set forth by the Sixth Five-Year Plan for the period until the end of 1985. The 1983 revenues came out as the best one

since the founding of the PRC. The people's livelihood was further improved and the region scored a 4.4 percent increase of the average wages among staff members and workers. Per peasant or herdsman net income respectively scored a 7.7 percent increase and a 34.1 percent increase.

The undertakings of education, culture, science and technology, public health, sports, journalism, radio and television broadcast, films, publication, and tourism achieved steady development.

Bu He stated: In the past year, our region not only scored unprecedented achievements in the national economy and various fields since the founding of the PRC, but also made a breakthrough in the development of some aspects, and opened some new avenues. In particular, the region further deepened the drive of conducting transformation in forestry, animal husbandry, and agricultural production by upholding the principles of taking the forestry and animal husbandry production as main tasks and developing a diversified economy, thus, resulting in the fresh experience of various fronts in charge of the development of the national economy. The most basic principle of the fresh experience is that only by unswervingly implementing the party's line, principles, and policies set forth in the period since the 3d Plenary Session of the 11th CPC Central Committee, by bearing in mind the region's actual situation in economic construction, by continuously eliminating the leftist influence, by emancipating our mind, by easing restrictive policies, and by boldly conducting transformations and creating something new will we certainly be able to imbue our work with vitality, to achieve the best work results, and to steadily create a new situation in our work.

In his government work report delivered at the second session of the Sixth Nei Monggol Autonomous Regional People's Congress, Comrade Bu He pointed out: The core of the economic transformation is to streamline administration and to give greater autonomy to enterprises. He stated: Streamline administration means to reform the superstructure and to streamline economic administrative structures step by step. The administrative structures of some trades should be disbanded and then, we should adopt simultaneous measures giving greater autonomy to enterprises and introducing responsibility systems among them so as to bring about thorough changes in the malpractice of the indiscrimination between political work and business operation, and of replacing production efforts with political stimulants. Giving greater autonomy to enterprises means to liberate productive forces, and to allow grassroots units to do business in a guided manner so as to bring into full play the enthusiasm and creativeness of grassroots units which should also give full scope to the enthusiasm and creativeness of the broad masses of staff members and workers and so as to achieve the practice of enterprises not eating from the state big pot and staff members and workers not eating from the enterprise's big pot. Efforts should be made to bring about a fundamental change in the phenomenon of not differentiating between good and bad enterprise management and between hard and lax work by staff members and workers.

Comrade Bu He stated: Giving greater autonomy to enterprises is the key link in urban economic reform and is the key to enlivening enterprises. As for collective enterprises, we should give free rein to them and enliven them as much as possible. We should allow them to independently conduct management and to be responsible for their profits and losses. They can have more than one wage scale. They can also enforce floating wages in which there is no limitation on how high or low wages can be. It is necessary to encourage staff members and workers to invest in their plants so as to share a bonus at the end of the year. We should refrain from changing the ownership of collective enterprises and their subordinate relationship, and from indiscriminately transferring or seizing the property of collective enterprises. We should support collective enterprises in the fields of material distribution, raw material supply, fundamental funds, loans, and communications and transportation. We should also give them preferential treatment in tax revenues so as to accelerate the pace of developing the collective economy.

He stated: The current and prominent problem of state enterprises is that no one is responsible for management. As a matter of fact, there is no one who is really authorized to assume the responsibility, who is able to map out measures to assume the responsibility, and who is competent to assume the responsibility. To change this malpractice, it is imperative to change the relationship between the state and enterprises. While properly giving greater autonomy to enterprises, we should actively conduct transformation in the leadership of state industrial enterprises and should enforce the system of personal responsibility among plant chiefs and company managers in production, management, and administrative work. This is the most important component part of conducting transformation in the economic administrative system as a whole. We should enforce the system earnestly.

CSO: 4006/568

ECONOMIC PLANNING

LIAONING LEADER ON ECONOMIC, SOCIAL PLANNING

Shenyang LIAONING RIBAO in Chinese 25 Mar 84 p 1

[Article: "Continue to Create a New Economic Scene in Liaoning"]

[Text] On the morning of 23 March, Sun Jianhua (1327 1696 5478), chairman of the Provincial Planning Commission, submitted to the Second Plenum of the Sixth Provincial People's Congress for examination and approval his written "Report on Fulfillment of Liaoning's Economic and Social Development Plans for 1983 and Arrangements for Plans for 1984."

The report states that under the guidance of the spirit of the 12th CPC Congress, the broad masses of cadres and people throughout Liaoning continued in 1983 to implement the policy of readjustment, restructuring, consolidation and improvement with emphasis on improving economic results, ensured sustained, steady and sound growth of the national economy, did a very good job in fulfilling plans, and made fresh and inspiring progress in all fields. In 1983 Liaoning Province had an exceptional bumper harvest. Total grain output reached 29.7 billion jin, an increase of 28.9 percent over the preceding year, an all-time high. Industrial production and communications and transportation made steady progress. Total industrial output value showed an increase of 9.8 percent over the preceding year, a new record in history. The scale of capital construction was under control and the pace of key construction projects was quickened. The capital construction scale was reduced 8.2 percent compared to the preceding year and did not exceed the state plan. Local revenue reversed a 3-year decline. Science and technology, education, culture, public health and physical education made further progress. Urban and rural markets were brisker. The people's income continued to increase, and their living standards further improved.

With regard to arrangements for 1984 plans, the report states that on Liaoning's economic front the task is to continue to implement the policy of readjustment, restructuring, consolidation and improvement with emphasis on improving economic results, carry out reform in an active and reliable manner, and work hard to readjust economic relations. In agriculture, efforts need to be made to further consolidate and perfect various responsibility systems that link contracts with output, further popularize and utilize new science and technology and vigorously develop a commodity economy. In industry, it is necessary to focus time and efforts on improving enterprise quality, vigorously strengthen technical

transformation, make new breakthroughs in promoting technical progress, strive to raise administrative and managerial standards, make marked progress in improving the quality of products, developing new products, reducing consumption of energy resources and raw materials and turning deficits into profits, and strive to bring about simultaneous growth in profits, taxes and production. It is also necessary to concentrate material and financial resources to ensure construction of key state projects and actively develop local economy and socialist enterprises. A good job of circulation reform will unclog channels between urban and rural areas and enliven urban and rural economies. Active efforts should also be made to develop projects in science and technology, education, culture, public health and physical education, develop various forms of school management, strive to improve teaching quality and make fresh progress in the training of competent personnel. Better market arrangements should be made to improve living standards, and we should strive to fulfill the "Sixth 5-Year Plan" and various major targets ahead of schedule and continue to create a new situation in economic work.

12302

CSO: 4006/485

ECONOMIC PLANNING

FORUM DISCUSSES DEVELOPMENT OF WESTERN HUNAN

HK311206 Changsha Hunan Provincial Service in Mandarin 2300 GMT 30 May 84

[Text] According to HUNAN RIBAO, on 28 May, the editorial department of JINGJI RIBAO held a forum at the conference room of the Beijing CPPCC on development and exploitation of the Xiangxi [Xiangxi refers to western Hunan] area.

Attending the forum were a total of 40 comrades, including some veteran comrades of Xiangxi origin, specialists and scholars working in Beijing, some comrades from educational, cultural and art, and journalistic units in Beijing, deputies from the Xiangxi area attending the second session of the Sixth NPC, and responsible comrades of the Hunan Provincial People's Congress Standing Committee and the provincial government.

The forum was presided over by (Zhang Shunjia), deputy chief editor of JINGJI RIBAO.

In his speech (An Gang), chief editor of JINGJI RIBAO, first said: The people of the old revolutionary base areas of Xiangxi made remarkable contributions to the Chinese revolution, but this has not made a deep impression on the people throughout the country. The central leading comrades are very much concerned about construction in the nationality area of Xiangxi. Today, you are invited to attend this forum to discuss an important matter concerning the development and exploitation of Xiangxi. In the future, JINGJI RIBAO will carry as many more reports as possible on the situation in Xiangxi, thus doing a good job in propagating and reporting the development and exploitation of Xiangxi.

(Wu Yingkang), NPC deputy and chief of the Xiangxi Tujia-Miao Autonomous Prefecture, briefed the participating comrades on the achievements the autonomous prefecture has made in construction over the 30-odd years since the founding of the PRC, and since the 3d Plenary Session of the 11th CPC Central Committee in particular.

He said: Our work is far from perfect. In the future, we will carry forward the spirit of self-reliance and hard work, overcome various difficulties--

such as the tardy development of industrial and agricultural production, underdeveloped culture and education, the weak scientific and technological contingent, and the low level of the people's livelihood--and do our utmost to revitalize Hunan. Meanwhile, we also hope that the leading organs at higher levels and comrades in all fields who are concerned about Xiangxi's construction will render possible assistance.

Some comrades of Xiangxi origin attending the forum enthusiastically put forward the valuable suggestions on Xiangxi's construction, saying that they will act as good propagators, liaison men, and service attendants in the building of their hometown.

In his speech, Liu Zheng, NPC deputy and Hunan provincial governor, extended heartfelt thanks to all the participating comrades for their deep concern for the people in Xiangxi and Hunan.

He said: The veteran comrades from Xiangxi are very much concerned about the construction of their hometown. Particularly in the past 2 years, Hu Yaobang, Zhao Ziyang, and other central leading comrades have personally inspected Xiangxi and given many important instructions, pointing out our direction and greatly encouraging us. The state has given great support to the development of Xiangxi and the province is relaxing policies to promote the development of commodity production and the economy in mountain areas, and to give preferential treatment to scientific and educational personnel.

CSO: 4006/568

ECONOMIC PLANNING

NEW ECONOMIC SERVICE AGENCY PLANNED

OW210651 Beijing XINHUA in English 0637 GMT 21 May 84

[Text] Beijing, 21 May (XINHUA)--A new industrial, commercial and economic service agency will be set up in Beijing shortly to help broaden China's trading channels with other countries.

Speaking at a plenary meeting of the Chinese people's political consultative conference national committee here today, Zhang Jingli, vice-chairman of the All-China Federation of Industry and Commerce, said it is intensifying preparations for the formation of this new agency.

Zhang, who was previously the general manager of a big cotton mill in China, said that the proposal to form the agency has won the support of Premier Zhao Ziyang and various ministries. It represents yet another aspect of his federation's effort to implement the policy of opening to the outside world, he added.

The main objective of the agency, Zhang explained, is to help introduce technology, equipment and funds and promote China's economic and technological exchanges with other countries.

The All-China Federation of Industry and Commerce is a non-governmental organization established mainly by former industrialists and business people.

It has close relations with chambers of commerce in Hong Kong and Macao as well as relevant organizations in the United States, Australia, Pakistan, Japan, Zaire and many other countries, Zhang noted.

A number of foreign firms have asked the federation to serve as their trading partner or consulting agency in China, he said. Fourteen of the 50 foreign bank offices stationed in Beijing have contacts with it, and some international monetary organizations have also expressed willingness to establish contact with it, he added.

The Industrial, Commercial and Economic Service Agency of China will strengthen its ties with relevant organizations in other countries and act as an important channel for expanding China's contacts with foreign firms, Zhang Jingli said.

CSO: 4020/133

ECONOMIC PLANNING

HAINAN OFFICIAL DISCUSSES DEVELOPMENT PLANS

HK240914 Beijing ZHONGGUOXINWEN SHE in Chinese 0658 GMT 24 May 84

[Text] Beijing, 24 May (ZHONGGUO XINWEN SHE)--According to a report carried on today's JINGJI RIBAO, Lei Yu, director of the Hainan Administrative Commissioner's Office told a reporter of the newspaper: Hainan Island has oil not only in offshore areas, but also on the land. It is entirely possible to bring further into play the advantages of Hainan Island, building it into a somewhat developed area with a well-off standard of living in the world over the next 2 decades.

Speaking of the overall planning for developing Hainan Island, he said: The whole island will be divided into 6 sectors in economic distribution, with each sector centered around a port city, which will bring about the economic development of neighboring counties. Hainan Island is preparing to set up a unified development construction corporation, making overall plans for the developmental construction of the whole island and the 6 sectors. Haikou will be built into a show window for Hainan's takeoff. Sanya is a wonderful place for tourism on the island. An airline between Sanya and Hong Kong will be opened in the near future, and Fenghuang airport in Sanya is under preparation.

Lei Yu has listed 5 advantages of Hainan Island: It has great potential in its land resources, there are over 12 million mu of land awaiting exploitation and utilization on the island; it has rich natural resources, there are over 30 species of mineral products which have been surveyed; it has a good climate, which is suitable to developing tropical and subtropical economic crops of higher economic value; it has many scenic spots and historical sites, which are advantageous to developing tourist industries; Hainan is the hometown of many overseas Chinese, it has over 1.7 million overseas Chinese and Hong Kong and Macao compatriots, who will make greater contributions to the construction of Hainan Island.

Lei Yu says: In developing Hainan, the chief difficulties lie in the shortage of funds and talented people, the weakness in infrastructural equipment, and not opening wide enough to the outside world. He said that it is necessary to actively import and utilize more foreign funds, to import technology and talented people, so as to narrow its gap between the world's advanced countries in the shortest possible time.

CSO: 4006/568

ECONOMIC PLANNING

HUBEI: CONCLUSION OF WUHAN DEVELOPMENT MEETING

HK080209 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 7 Jun 84

[Text] The theoretical discussion meeting on Wuhan City's economic development strategy and the comprehensive reform of its economic setup concluded in Wuhan this afternoon after 7 days in session. During the meeting, a number of nationality well-known experts and scholars gave very good opinions on questions of Wuhan's institution of separate listing in plans and its pilot project in comprehensive reform of the economic setup.

Qian Junrui, adviser to the Academy of Social Science and president of the PRC World Economic Association, proposed: It is necessary to proceed in three stages in building Wuhan into the largest economic center in the interior of the country, which links east and west and south and north and achieves high efficiency and plays many functions in opening up to the world.

Yu Guangyuan, adviser to the Academy of Social Science, held: From the angle of the whole country, Wuhan can develop into the second largest economic center in the country, exceeded only by Shanghai. He also held: Wuhan City can apply this notion in deciding on its future development orientation, goals, and points of emphasis.

Tong Dalin, vice chairman of the State Committee on System Reform, proposed: Wuhan should become a special-grade market and city in the Chang Jiang basin. Apart from facing the Chang Jiang, Wuhan should also face the Great Northwest and the Great Southwest, and also the outside world, so that commodities from the whole country and all parts of the world can be distributed in Wuhan.

Huan Xiang, adviser to the Academy of Social Science and an expert in international problems, introduced at the meeting the current international political and economic situation. He also gave his views on Wuhan's development strategy and its reforms in 10 respects, including taking advantage of the superior feature of Chang Jiang waterway transport and building Wuhan into the largest trade center in the interior of China.

(Lin Ming), vice president of Sichuan Provincial Academy of Social Science and economic adviser to Chongqing City, was invited to introduce the situation and experiences of Chongqing City in carrying out comprehensive reforms of the economic setup.

CSO: 4006/568

ECONOMIC PLANNING

BRIEFS

MOTOR VEHICLE PRODUCTION FIGURES--Beijing, 8 Jun (XINHUA)--The Chinese Government has decided to add an extra 50,000 motor vehicles to this year's annual production target of 240,000 to try to meet market demands, especially in the countryside. But despite the addition, output will still fall short of demand, said an official of the China Automotive Industry Corporation. Market predictions show that domestic demand will reach 350,000 vehicles this year. The industry faces a stern challenge on production as more and more peasants want to buy trucks and other vehicles. The number of trucks owned by peasants came to 89,000 by the end of 1983, 72,000 more than in the preceding year. Along with tractors, motor vehicles have become increasingly popular among Chinese peasants as China's rural economy develops. China now has 37 motor vehicle plants, 196 refitting plants and more than 2,000 parts and accessories plants. The industry turned out 240,000 motor vehicles last year. [Text] [OW081100 Beijing XINHUA in English 1031 GMT 8 Jun 84]

RURAL TOWN DEVELOPMENT CIRCULAR--Beijing, 12 Jun (XINHUA)--Small towns should play a greater role as economic and cultural centers in the Chinese countryside, according to the party Central Committee circular on rural work for 1984. The circular says local industries should be concentrated in the small rural towns to save investment in water and energy supplies, transport, warehouses and sanitation. The move will also spur the development of education, cultural facilities and services. Selected locations will test policies permitting peasants to leave the land to found industrial, commercial and service concerns in local towns. China's small towns include the sites of township, county and district governments, some larger rural market places, and settlements around industrial, mining and tourist centers. Development of the towns should be well-planned to save land, the circular says. [Text] [OW121152 Beijing XINHUA in English 1136 GMT 12 Jun 84]

CSO: 4020/133

AGGREGATE ECONOMIC DATA

LIAONING: COMMUNIQUE ON 1983 ECONOMIC DEVELOPMENT

SK291233 Shenyang LIAONING RIBAO in Chinese 5 May 84 p 2

[Provincial statistical bureau's communique on fulfillment of the 1983 economic and social development plan]

[Text] Our province scored new achievements in economic and social development in 1983. The total output value in society reached 74.85 billion yuan, up 9.7 percent over 1982. The total industrial and agricultural output value was 62.66 billion yuan, an increase of 11.7 percent over the previous year, and an increase of 8.4 percent over the annual plan. According to a preliminary calculation, the national income was 29.77 billion yuan, an increase of 12 to 13 percent over the annual plan, up 12.6 percent of 1982. The average per capita national income was 825 yuan, up 11.3 percent over previous year. We hit all-time records in all targets. The total agricultural output value and the output of 30 major industrial and agricultural products, including grain, cotton, steel, crude oil, machine tools, cement, chemical fertilizer, and television sets, exceeded the 1985 level defined in the Sixth Five-Year Plan 2 years ahead of schedule. The market was brisk, the people's livelihood was improving, and the building of the socialist spiritual civilization was making headway on the basis of developing production.

The following was the fulfillment of plans by the various economic departments:

1. Agriculture

The year 1983 was the first year for our province to institute and improve the family-based output related contract responsibility system comprehensively in the rural areas. The proportion of family-based contract peasant households increased from 1982's 29 percent to 83.9 percent. We reaped a bumper harvest in agricultural production. New progress was made in forestry, animal husbandry, sideline occupations, fishing, and other undertakings. The province's total agricultural output value reached 11 billion yuan, an increase of 25 percent over the annual plan, up 21.7 percent over the previous year.

The output value of the province's planting industry was 6.28 billion yuan, up 26.8 percent over 1982. We hit an all-time high in the total and per-unit

area yield of grain and the per-unit area yield of cotton. The total output of grain and cotton reached 29.7 billion jin and 1.02 million dan respectively, an increase of 28.9 percent and 120 percent respectively.

The total afforestation area in the province reached 4.103 million mu, up 14.7 percent over 1982. Of this, 1.198 million mu was afforested by individual peasants, an increase of 2.6 times over the previous year. The province's total animal husbandry output value increased 1 percent over 1982. The number of farm draft animals at the end of the year was 1.974 million head, up 7.6 percent over the previous year. The output of milk and goats' milk was 91,000 tons, up 11.6 percent. The output of poultry and eggs reached 350 million jin, up 11.9 percent and that of tussah, 1.112 million dan, up 84.4 percent over 1982. The number of hogs and sheep slaughtered in the year and the output of pork, beef and mutton, however, declined from last year. The province's sideline production, especially brigade-run industries, developed rapidly. The output of sideline occupations reached 2.33 billion yuan, up 34.8 percent. The province's total output of aquatic products was 512,000 tons, the same as 1982. Of this, the output of marine products declined 1 percent and that of fresh-water products increased 36.7 percent over the previous year.

With the implementation of rural policies, the development of the various kinds of work and trades, and the improvements in specialized undertakings agriculture was changing from one of a self-supporting and semiself-supporting economy to one of a commodity economy, from one of traditional agriculture to one of modernized farming. A new situation in developing commodity production was created. The broad masses of peasants handed over some 13.16 billion jin of grain to the state, exceeding the target of the Sixth Five-Year Plan. The rate of grain purchased by the state rose from 1982's 32.3 percent to 44.2 percent. Due to the fact that the amount of grain purchased by the state was greater than the sales volume in the urban and rural areas, our province for the first time achieved a balance in grain purchases and sales for the year and had a little surplus.

The number of farm machines in use and the rural power consumption increased continuously. The total power capacity of farm machines reached 9.41 million horsepower, up 12.4 percent. The number of small-capacity and hand-guided tractors was 57,000. The number of heavy-duty trucks was 17,000. Power consumption in the rural areas was 2.74 billion kwh, up 3 percent over the previous year. The amount of chemical fertilizer applied during the year also increased remarkably.

2. Industry

Our province's industrial output continued increasing in 1983. Both state and collective industries increased. The development of light and heavy industries were well coordinated. The total annual industrial output value was 51.66 billion yuan, overfulfilling the annual plan by 5.4 percent and showing an increase of 9.8 percent over the previous year. Of this, the value of state industrial output was 40.37 billion yuan, an increase of 8.1 percent over the previous year. The output value of collective industrial

enterprises was 10.17 billion yuan, an increase of 15.4 percent over the previous year. Of 80 principal products under the provincial assessment, the output of 57 or (71.3 percent) increased over the previous year and the output of 65 or (81.3 percent) reached the annual plans.

The output value of light industrial enterprises was 18.22 billion yuan, an increase of 7.9 percent over the previous year. Of this, the output of chemical fiber was 79,000 tons, an increase of 4.5 percent over the previous year. The output of cotton yarn was 176,000 tons, an increase of 1.3 percent over the previous year. The output of cloths was 710 million meters, a decline of 0.4 percent from the previous year. The output of bicycles reached 1.996 million, an increase of 10.2 percent over the previous year. The output of sewing machines was 456,000 sets, a decline of 47.1 percent from the previous year. The output of watches reached 3.622 million, an increase of 1.7 percent. The output of beer was 222,000 tons, an increase of 23.9 percent. The output of TV sets was 426,000, an increase of 12.1 percent. The output of tape recorders was 330,000, an increase of 19.4 percent. The output of washing machines for family use was 627,000, an increase of 16.7 percent.

The heavy industrial output showed continuous and stable increases. The annual output value was 33.44 billion yuan, increasing 10.8 percent over the previous year. Of this, machinery industry increased 18.6 percent, chemical industry 13.5 percent, building material industry 9.7 percent, and petroleum industry 4.4 percent. Among heavy industrial products, the output of raw coal was 37.662 million tons, an increase of 4.4 percent; that of crude oil was 6.352 million tons, an increase of 14.5 percent; that of electric energy was 31.12 billion kwh, an increase of 4.8 percent; that of pig iron was 9.809 million tons, an increase of 1.9 percent; that of steel was 9.272 million tons, an increase of 4.7 percent and that of automobiles reached 10,000, an increase of 49.5 percent.

The variety of our province's industrial products in 1983 continued increasing. The quality of these products improved markedly. According to statistics, the quality of 121 of 135 principal products improved stably. Through comparing and assessing the quality of industrial products, 731 of our province's products were appraised as high-quality products, a 68.6-percent increase over the previous year and 65 won state prizes, 7 of which were gold prizes and 58 of which were silver ones. This was the most prizes won by the province in the last few years.

In 1983, our industrial enterprises improved economic results. The increase of our province's energy consumption was 3.4 percent, lower than the increase of industrial output value, which was 9.8 percent, and the increase of energy output, which was 6.7 percent. Of 84 key industrial enterprises whose energy consumption was over 50,000 tons, the energy consumption of per ten-thousand-output value declined 4.3 percent from the previous year. The cost of comparable products of state industrial enterprises of independent accounting declined 0.07 percent. The profits and taxes realized by these enterprises increased by 12.6 percent over the previous year. Of this, the profits handed over to the state increased 2.2 percent and per capita labor productivity

increased 9.9 percent. Money-losing enterprises decreased 48 percent, losses decreased 25.3 percent, and the number of money-losing enterprises decreased from 23 percent in 1982 to 11.9 percent.

3. The investments in fixed assets

In 1983 our province made marked achievements in strictly controlling the scale of capital construction and ensuring the construction of key projects. The investments in fixed assets for state-owned units reached 5.48 billion yuan, a decrease of 1.4 percent from the previous year. Of this, the investments in capital construction were 2.78 billion yuan, a decrease of 8.2 percent. The investments in the renewal of products and technological transformation were 2.7 billion yuan, an increase of 6.8 percent. The investments in fixed assets for urban collectively-owned units reached 340 million yuan, an increase of 12.8 percent over the previous year. While strictly controlling the scale of capital construction, the province further readjusted the orientation of investments and strengthened the construction of key energy and communications projects. Of the total investments in capital construction of state units, the investments in the energy industry reached 950 million yuan, an increase of 5.1 percent.

Newly added capacity of the province's capital construction included: 150,000 tons of coal mining, 1.2 million tons of coal dressing, 360,000 tons of oil processing, 450,000 kilowatts of thermal power, 351 km of power transmission lines, 430,000 tons of cement, 4,000 tons of chemical fibers, 5,938 seats for students at colleges and universities, 25,775 seats for students at middle schools, and 4,525 hospital beds. Completed residential houses totaled 4.327 million square meters in floor space.

4. Communications, Transportation, and Posts and Telecommunications

In 1983, the volume of railway cargo delivered within our province totaled 133.92 million tons, an increase of 3.8 percent over 1982; that of road cargo was 211.29 million tons, an increase of 3.4 percent; that of waterway cargo was 1.33 million tons, an increase of 22 percent; that of oil carried through pipelines totaled 41.61 million tons, an increase of 1.3 percent; and that of cargo handled by our ports totaled 36.24 million tons, an increase of 3.8 percent compared with 1982; and road passengers totaled 145.14 million people, up 9.1 percent. Waterway passengers totaled 250,000 people and passengers by air totaled 84,000 people, showing a decline of 3.8 percent and 31.8 percent, respectively, from 1982. Posts and telecommunications transactions throughout the province were 128.73 million yuan, exceeding the annual target by 4.9 percent and the 1982 figure by 9.3 percent.

5. Commerce, Grain, and Commodity Prices

Following new development in industrial and agricultural production, 1983 saw a brisk scene in urban and rural markets, which has been rare since the founding of the PRC. The total purchases of commodities of the province's state commercial units and supply and marketing cooperatives reached 11.7 billion yuan, up 15.9 percent over 1982, of which those of farm and sideline

produce were 4.52 billion yuan, up 35.9 percent, and those of manufactured goods were 6.93 billion yuan, up 5.6 percent. Commodities purchased from other provinces totaled 2.08 billion yuan, registering an 8.9-percent increase over 1982.

In 1983, the province's commodity retail sales reached 15.34 billion yuan, an increase of 10.3 percent over 1982. The retail sales of the means of agricultural production totaled 1.91 billion yuan, up 8.5 percent over 1982. Thanks to efforts in precision processing of grain and oil foods, grain departments throughout the province increased their output value of grain and oil foods by 11.3 percent over 1982. The amount of refined and the best-quality flour registered a 45.9-percent increase over 1982, thus changing the product mix.

New changes took place in commercial structure in 1983, and collective and individual commercial units and trade fairs achieved new development. Among the total retail sales of commodities, those of commercial and catering trades were 13.51 billion yuan, up 10.6 percent over 1982. Those of collective units showed an increase of 13.7 percent and those of individual units 1.1 times. Transactions of urban and rural trade fairs throughout the province totaled 1.23 billion yuan, 20.6 percent increase over 1982.

Market prices remained stable in 1983, with some increasing. The annual total purchasing price index for farm and sideline produce went up 12.8 percent over 1982. The overall level of retail prices of society rose by 1.5 percent. The retail prices in cities rose by 1.6 percent and those in rural areas by 1.2 percent. The retail prices of foodstuff increased by 2.3 percent. The prices of nonstaple foods rose by a fairly large margin. For example, the prices of vegetables rose by 7.3 percent, those of aquatic products by 16.3 percent, and those of fresh fruits by 18.8 percent. The prices of pharmaceuticals increased by 3.7 percent, those of clothing declined by 0.2 percent, those of goods for cultural and recreational purposes dropped by 1.3 percent, and those of the means of agricultural production rose by 1.7 percent.

6. Foreign Trade, Tourism

Our foreign trade continued to expand in 1983. The total purchases of commodities for export in the province reached 3.1 billion yuan, registering a 2.3-percent increase over 1982. The total value of commodity exports through Dalian Port came to \$3.92 billion, down 8.6 percent from 1982. If price fluctuations are excluded, the actual volume of exports showed a 3.3-percent increase over 1982. The province overfulfilled the export plans of 32 of the 50 major export commodities and increased the export of 34 of them.

New progress was made in our province's tourism in 1983. During the year, a total of 45,700 people from 92 countries and regions came to our province on tours and visits and for trade, sports, and cultural exchanges. The income from these sources was valued at 4.676 million yuan, up 14.1 percent over 1982.

7. Finance, Banking, and Insurance

Our province's financial situation improved to a further extent. We achieved a balance in revenues and expenditures with a small surplus. The annual local revenue was 6.48 billion yuan, an increase of 7.3 percent over the budget, up 8.9 percent over 1982. The total revenue reached 8.13 billion yuan, if we include the revenue from the petrochemical and nonferrous metal enterprises whose profits were to be delivered to the central authorities, an increase of 520 million yuan over 1982, thus ending the situation in which financial revenue was declining in the recent years. The annual financial expenditures reached 3.54 billion yuan, which was about 83 percent of the budget, an increase of 10.4 percent over 1982.

By the end of 1983, the total amount of deposits in the provincial people's banks, the China banks, and the agricultural banks reached 13.67 billion yuan, an increase of 14.8 percent over the figure released at the beginning of the year. The total amount of loans was 22.05 billion yuan, an increase of 32.8 percent over the beginning of the year. The total amount of saving deposits by urban and rural residents was 5.52 billion yuan, up 32.7 percent.

Further improvements were made in the province's insurance businesses in 1983. The number of insurance items increased from 1982's 20 to 51. Insurance policies bought by domestic and foreign firms also increased over the previous year.

8. Science and Technology, Education, Culture, Public Health, and Sports

The total number of our province's scientific and technical personnel in the natural science field was 336,000 persons in 1983, up 7 percent over 1982. Through carrying out joint scientific research projects, we scored 1,530 scientific research achievements during the year. Of this, some 660 were major scientific and technological research achievements. Seven scientific research achievements, including the "Tiefeng No 18" soybean, and the "three-unit infiltration" thermal treatment method, won state awards for new creation. More than 900 scientific and technological research achievements were popularized and applied in the province.

New progress was made in the province's educational undertakings in 1983. The number of postgraduates studying for doctorates and master degrees in the province reached 1,432, up 52.2 percent over the previous year. Institutes of higher learning enrolled some 23,000 students in 1983. These institutions had a total enrollment of 76,000 students, an increase of 6,000 students over 1982. Secondary vocational schools enrolled 23,000 students. These schools had a total enrollment of 51,000 persons, an increase of 5,000. The total enrollment of regular middle schools reached 1.817 million students, a decline of 166,000 students. The total enrollment of vocational schools and agricultural middle schools reached 54,000 persons, and 23,000 persons respectively, an increase of 14,000 persons and 7,000 persons respectively over 1982. The total enrollment of primary schools was 4,286 million students, a decline of 78,000 students from 1982. Workers' education also developed a great deal.

Our province scored new achievements in cultural undertakings in 1983. We expanded the construction of some cultural halls in cities and towns, and increased the number of film projection teams in the rural areas. The drama troupes increased their performances in the countryside. The province had 95 libraries with some 14.97 million books, an increase of 160,000 books. We published some 1,388 varieties of books and magazines, an increase of 213 varieties or 18.1 percent over 1982. Our province had 7 television stations and 214 television relay stations, an increase of 48 stations over the previous year.

Our province made certain progress in public health undertakings in 1983. There were 7,358 medical and public health organizations and 134,000 medical beds in urban and rural areas of the province, 6,000 beds more than in the previous year. The number of public health technicians reached 181,000, 5,000 persons more than the previous year. Some 1,283 urban individuals engaged in medical business, an increase of 63.9 percent over the previous year. A certain amount of household beds were established.

Our province made great achievements in sports undertakings in 1983. New improvements in physical education and sports games were made. At the fifth national sports games, our province won third place. Our sportsmen won 22 gold medals, 18 silver ones and 21 copper ones.

9. People's livelihood

The province placed 442,000 personnel in jobs in 1983. The number of staff and workers reached 8,683 million, an increase of 249,000 persons or 2.9 percent over the previous year. Of this, the number of staff and workers among collectively owned enterprises reached 2.751 million, an increase of 9.9 percent. Besides, self-employed urban individual workers reached 118,000, an increase of 47.5 percent. The total volume of staff and workers' wages reached 6.88 billion yuan, an increase of 5.9 percent over the previous year. The average wages reached 806 yuan, a 2.9 percent increase. Owing to the expansion of labor employment, per capita net income of staff and workers increased over the previous year. According to the investigations on the income and expenses of 960 staff and worker households in the province, the per capita living expenses of staff and worker households were 510.9 yuan, an increase of 3.6 percent. After deducting the increase of the price index for staff and workers' living expenses, the increase netted 1.9 percent. Each 100 staff and worker households had 154 bicycles, 64 sewing machines, 272 watches, 30 washing machines, 111 radios, 82 TV sets, 11 electric fans, and 8 cameras. The number of washing machines, electric fans, and cameras owned by them increased more than 60 percent over the previous year. According to the investigations on the income and expenses of 1,100 peasant households, the per capita net income reached 452 yuan, an increase of 35.4 percent. The proportion of the peasants households whose net income was over 500 yuan rose from 16 percent in 1982 to 34.9 percent. Each 100 peasant households had 99 bicycles, 64 sewing machines, 130 watches, 74 radios, 16 TV sets, 2.2 tape recorders, and 1.6 washing machines, showing substantial increases over the previous year. The urban and rural residents' housing conditions improved. The per capita living space of urban residents rose from 3.7 square meters

to 3.9 square meters. According to sample investigations, the per capita living space of rural residents rose from 12.5 square meters to 13.6 square meters.

10. Population

As of the end of 1983, the total population of the province had reached 36.291 million, 370,000 persons more than that at the end of 1982 and an increase of 1 percent. The total city and urban population reached 15.465 million, an increase of 373,000 persons or 2.5 percent. The total rural population reached 20.826 million, showing a small decrease from the previous year. The population birth rate was 13.4 per thousand; the death rate was 5 per thousand; so the natural population growth rate was 8.4 per thousand.

In the course of economic and social development in 1983, our province still has several main problems. Energy, transport, and some raw materials were in short supply. The level of some products was not high enough and some products were not marketable. We failed to achieve good economic results in the field of production, construction, and circulation. We should gradually solve these problems in the future.

CSO: 4006/568

ECONOMIC MANAGEMENT

HUBEI: AUTHORITIES' VIEWS ON URBAN ECONOMIC REFORM

HK270336 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 May 84

[Excerpts of Views of the Hubei Provincial CPC Committee and Government on the Current Reform in Urban Economic System]

[Text] The views of the Hubei Provincial CPC Committee and Government on the current reform in urban economic system point out: Since the 3d Plenary Session of the 11th CPC Central Committee, the reform in the rural economic system has developed rapidly and has vigorously pushed ahead the development of the economy as a whole. At present, our focal point of reform in the economic system should be shifted to urban areas. We must have a clear understanding of the situation, emancipate our minds, continue to eliminate the influence of leftist thinking, streamline the administration, delegate power to lower levels, enliven the enterprises, and clear the circulation channels, and thus give fuller play to the role of key cities.

1. Delegate the power of economic administration to the lower levels, and give full play to the role of key cities. The administrative setup of enterprises must be reformed. From now on, departments and bureaus at the provincial, prefectural, and autonomous prefectural levels will not in principle manage enterprises. The administrative power over the existing enterprises, including commercial enterprises, directly under the provincial departments concerned is to be delegated in a planned way to the authorities of the cities where these enterprises are located. The administrative power over enterprises subordinate to prefectures is in principle to be delegated to the authorities of the cities under the jurisdiction of the prefectures where the enterprises are located.

The administrative power of key cities is to be expanded. Wuhan City will enjoy the power equal to that of a province in examining and approving economic projects. Before Wuhan City's application for separate listing in the state plan is approved, the provincial planning committee, the provincial economic committee, the provincial financial department, and other departments concerned should assign various planned targets and allocate supply quotas to Wuhan city according to a set proportion. Shashi and Xiangfan cities are to be vested with greater examining and approving power than other cities under the jurisdiction of the province regarding economic administration.

Suizhou City is to be vested with examining and approving power equal to that enjoyed by a city directly under provincial jurisdiction regarding economic administration, and the city will be separately listed in the provincial plan.

The provincial planning committee should delegate to cities, prefectures, and autonomous prefectures part of its management power over industrial products and the procurement and allocation of industrial products. The provincial planning committee is required to prepare a list of those products to be controlled by cities, prefectures, and autonomous prefectures, and to circulate the list. The power of examining and approving capital construction projects and technological transformation projects is to be transferred to the lower levels.

All cities must be bold in making use of foreign investment, and import advanced technology and talented personnel through various channels. They should encourage enterprises and departments to hold direct trade talks with foreign counterparts, vest them with greater power in examining and approving projects, and simplify the examining and approving procedures. Economic and trade departments should enthusiastically support the enterprises and departments concerned in their efforts, and give preferential treatment in terms of taxation and loan interest rate to the high-quality products that are produced with imported technology. Foreign businessmen, overseas Chinese, and enterprises and individuals from other provinces are allowed to invest in the province, run joint ventures, or establish firms on their own. Local enterprises and local people are also allowed to invest in other provinces, take part in joint ventures and run businesses on their own there. The departments concerned should enthusiastically support labor export and provide all assistance needed.

In order to closely link the remuneration for the staff and workers with the quality of the management of enterprises and the contribution of the staff and workers, every city can select some enterprises that have successfully undergone rectification, have relatively good short-term and long-term potential, and are economically promising, to carry out pilot projects in salary reform. In addition, every city also has the right to select a number of sound enterprises with the necessary conditions to carry out pilot projects in managerial responsibility system.

All cities have the right to select on a trial basis a number of enterprises where the necessary conditions exist and production is normal to carry out pilot projects in responsibility systems for directors and managers.

2. Reform the circulation system and ensure a free flow of goods. Second-grade commercial stations under the provincial authorities, with the exception of petroleum stations, are delegated to key cities to manage, to be amalgamated with city companies or to be run as joint ventures with them. Open-door trade centers of industrial products should be set up. In distribution centers of agricultural and sideline products, trade centers for these products should be set up. All units, whether inside or outside the cities and whether under ownership by the whole people, collective, or individual, can do business at the trade centers.

In state-owned small retail trade, experiments can be organized in state ownership and collective management. With the agreement of the staff and workers, experiments in collective ownership and management can be conducted.

The supply and marketing cooperatives must, from top to bottom, switch from being run by officials to being run by the people.

We must vigorously develop urban collective and individual commerce. The peasants are permitted to come into the towns to erect buildings, run shops, and set up stalls and points, thus engaging in transfer management. All cities must actively support this and provide them with sites.

We must vigorously develop communications and transport with a multiplicity of economic forms. The state, the collective, and the individual can engage in operations on any transport route. Vehicles owned by the people can run on the roads, and vessels owned by the people can ply the drivers. Appropriate divisions of work can be organized in the operational scope of transport units and individuals, and they can dovetail with each other. Nobody can monopolize the sources of goods. We should encourage drivers, boat crews, goods escort and procurement personnel and so on to load and unload goods themselves, and pay them for doing so in accordance with the regulations.

3. Expand the decisionmaking power of state-owned enterprises. The provisional regulations on this matter recently issued by the State Council must be rapidly, completely, and seriously implemented. The enterprises must ensure the fulfillment of the year's plans assigned by the state. Under this premise, they have the right to readjust quarterly and monthly production plans. They have the right to take part in or withdraw from local or external economic combines in their locality or elsewhere. In accordance with the needs of production and construction, they have taken the initiative in calling for tenders and in tendering. They have the right to decide on the sales prices of fresh produce, [word indistinct], poultry, and (?egg) products. The enterprises have the right to decide themselves on technological transformation projects costing under 300,000 yuan and on small capital construction projects--mainly indigenous construction--costing under 50,000 yuan. The enterprises have the right to refuse any unit or department engaged in pursuing egalitarianism and indiscriminate transfer of capital and fixed assets without compensation. The enterprises should set up legal advice offices or hire legal advisers, to protect their legitimate economic interests.

The large and medium state-owned industrial and commercial enterprises can have a 60 percent reduction in regulating tax levied on the increase in their actual tax and profit for this year. The regulating tax can be waived for those that overfulfill the plan, so long as the plan exceeds the actual output of last year. The standards for state-owned small industrial enterprises are expanded from the original 1.5 million yuan worth of fixed assets and below 200,000 yuan in profit to 3 million yuan and below 400,000 yuan respectively. Small industrial enterprises that meet the new standards can institute the method of being owned by the whole people, carrying out operations on a contract basis, with the state levying the tax, and themselves being responsible for profit or loss. They can also adopt the same methods

as the collective enterprises and have tax levied according to the [word indistinct] accumulation tax rate.

The standards for state-owned small commercial enterprises are extended from 30 staff and workers and profit below 50,000 yuan to 60 persons and below 100,000 yuan respectively. After-tax profits in small commercial enterprises that meet the new standards can all be retained by the enterprises for their own use.

Enterprises can make their own arrangements for the utilization of the excessive profits that they retain. The enterprises themselves can decide what kind of bonus system they will practice. With the help of the personnel departments, the enterprises should actively do a good job in bringing in talented people. The enterprise labor employment system should be reformed. In the future, apart from a few categories of specialized workers, the labor contract system should be practiced in recruitment of all new workers.

4. Enliven the urban collective enterprises. The collective enterprises must truly be run according to the nature and special features of collective economy. Their workers should operate and manage them themselves. Such enterprises cannot be managed by the management methods of state-owned enterprises. Instances of this happening now must be resolutely changed. The directors and managers of collective enterprises can be appointed to their posts through recommendation by themselves or by others, hiring, or democratic election. Responsibility systems should be set up for managers, and economic contracts should be signed. The collective enterprises have the right to set fixed numbers of workers and exercise decisionmaking power in hiring and assigning workers in accordance with the needs of production operations.

The production and operational activities of collective enterprises can in general be arranged by themselves in light of market changes.

Township enterprises should be enlivened. Free rein must be given to promoting regulation by market mechanism.

Technical transformation and capital construction projects in the collective enterprises can be decided on by themselves without submission for approval. Collective enterprises can practice a variety of operational contract systems, including individual contracts. After [words indistinct], the enterprises have the right to handle themselves the wage distribution of their staff and workers.

5. Reform the scientific research setup and enliven research work. In applied scientific research, we must gradually turn the fruits of research into commodities. Research units, including those in institutes of higher education, must be turned into enterprises. We should link scientific research work with economic results and ensure that the research units gradually become responsible for their own profit and loss. We should advocate joint combines in education, scientific research, and production, with profits apportioned to each unit involved. Research units in institutes of higher

education need not pay tax or costs to the departments in charge, except for energy, transport, and construction fees, on the income they make from passing on the results of research and from scientific and technological services. These units should establish three funds. They can also decide themselves on the methods of paying bonuses and floating wages.

The decisionmaking and management powers of scientific research units should be expanded, and responsibility systems should be established for their directors. The director is appointed by the upper levels for a set time. The deputy director is nominated and appointed by the director, and his name is sent in to the upper level. Personnel in charge of projects can be organized by the project leaders and approved by the director. The director has the right to hire and employ people himself. He has the right to dismiss people unsuited to their work, to transfer elsewhere research and design personnel who have produced no results for a long time, and to readjust and transfer surplus personnel.

Under the premise of ensuring the fulfillment of the tasks assigned them by the state, the research units have the right to engage in their own projects.

The system of administering scientific and technological personnel should be reformed. Under the leadership of the CPC committees, scientific and technological cadres should be under the charge of the science and technology committees. We must encourage science and technology personnel to go to work in township enterprises, key projects, and remote mountain regions where conditions are rather hard. They can be given favored treatment.

The reform of education must be synchronous with the reform in science and technology.

6. Do a good job in ideological and political work when carrying out reform. Reform is a profound revolution. Without reform it is impossible to achieve the four modernizations. The cadres, especially the responsible party and government cadres, must take the lead in carrying out reforms with a firm and clear-cut stand. Enterprise party organizations must step up ideological and political work to ensure the implementation of the party's line, principles, and policies, the smooth progress of reform, and the smooth completion of production tasks.

It is necessary to reform the methods of ideological and political work. Under the leadership of the party organizations, the party, government, trade unions, and CYL should cooperate with each other, fully play their part, centered on the key tasks of the enterprises, and carry out ideological and political work in all cardinal links such as production and construction, management, technological work, daily life services, and culture and physical culture. Political work should stimulate production and reforms, and production and reforms should test political work.

The views of the provincial CPC committee and government said: The general principle in reforming the urban economic system is to have centralization

where appropriate and decentralization where appropriate, take charge in major things, and practice relaxation in minor ones. There should be devolution of powers to the cities, and the enterprises should have their ropes united. The macro should be controlled and the micro enlivened.

Reforms of the economic setup are complex and involve broad areas and a lot of work. New conditions and problems are cropping up all the time. We must provide guidance according to the different circumstances. Some things can be popularized over areas, while others should first be tried out in a number of sectors, and others should be tried out as pilot projects in a number of enterprises and units. We must not treat all cases the same way irrespective of the circumstances. All reforms must be carried out on the basis of thorough investigation and study. It is necessary to draw up specific plans for pilot projects and implement them in a planned and measured way.

The party committees and government at all levels must strengthen leadership, bring into play the spirit of daring to think, to explore, and to create, clear the way to forge ahead, and pioneer a new road and provide new experiences for economic reforms in the whole province. We should do a thoroughly sound job in the reform of the urban economic system, stimulate vigorous development of the urban and rural economy, and strive to have Hubei advancing in the forefront of the four modernizations drive.

CSO: 4006/568

HUNAN TO EXPAND ENTERPRISES DECISIONMAKING POWER

HK230812 Changsha Hunan Provincial Mandarin 2310 GMT 22 May 84

[Text] According to HUNAN RIBAO, on 22 May, the provincial CPC committee and the provincial people's government issued an urgent circular, calling for the conscientious implementation of the provisional regulations formulated by the State Council on the further expansion of the decisionmaking power of the state-run industrial enterprises.

The circular reads as follows: The provisional regulations formulated by the State Council on the further expansion of the decisionmaking power of the state-run industrial enterprises are an important step in making a success of the reform of the urban economy and in improving economic results. In order to conscientiously enforce these regulations, the provincial CPC committee and the provincial people's government have specially set the following demands:

1. It is necessary to pay close attention to the study and implementation of these regulations with the spirit of party rectification. Party committees and people's government at all levels and in all departments concerned should, as they did in studying and implementing the central document No 1, issued this year, regard the implementation of these regulations as an important feature of the efforts made to successfully carry out party rectification. In addition, they should also organize the masses of cadres and workers to earnestly study the regulations. Leaders at all levels should stand in the forefront of the reform. They should not take a wait-and-see attitude but should take the opportunity to direct and give impetus to the reform. It is necessary to give wide publicity to those new people and new things that emerge in the course of the reform and to enthusiastically encourage them. As for those trivial views which stand in the way of the reform, it is necessary to eliminate them with a clear-cut stand in order to create a new situation in the province's economic work.

2. All departments concerned should enthusiastically, actively, and genuinely give power to the enterprises and free the enterprises from restrictions. It is necessary to ensure that all the regulations formulated by the State Council on the decisionmaking power of the enterprises are implemented. All those who obstruct the enterprises' exercising their legitimate decision-making power will be punished by economic means. As for those who seriously

obstruct the enterprises' exercising their decisionmaking power, they will be subject to disciplinary sanctions. The provincial departments in charge of organization, personnel, labor, planning, financial affairs, discipline, prices, forestry centers, foreign trade, goods and materials, supply and marketing, industrial and commercial administration, and industry should, on the basis of the regulations formulated by the State Council, discover the problems and their solutions. They should, by 20 June, submit concrete plans for implementing the regulations formulated by the State Council to the provincial CPC committee and provincial people's government for approval. Various localities should, on the basis of actual local conditions and in accordance with the spirit of the regulations formulated by the State Council, solve without delay the problems they discover.

3. State-run enterprises should have a clear idea of their own responsibilities and be properly prepared for the further expansion of their decision-making power. In order to ensure the smooth implementation of the reform, it is necessary to lay solid ideological and organizational foundations, to mobilize the masses, with the regulations formulated by the State Council as a tremendous motive force, to make production a success, and to improve economic results.

CSO: 4006/568

DISCUSSION OF THEORY OF INDEPENDENT MANAGEMENT

HK310430 Beijing GUANGMING RIBAO in Chinese 20 May 84 p 3

[Article by Wang Rongchang [3769 1369 2490]: "The Theoretical Basis for State-Run Enterprises To Practice 'Independent Management and Accounting for Profits and Losses'"]

[Text] On 5 April this year, GUANGMING RIBAO carried an article by Comrades Wu Wei [0702 1792] and Liu Chengrui [0491 2052 3843] entitled "The Planning System and the All-People Ownership System of Production Materials." The article suggested: "We must not indiscriminately stand for the 'separation of the ownership right of large and medium-size enterprises under the all-people ownership system from their right of use' and for practicing 'independent management and sole responsibility for their profits and losses' so as to prevent these state-run enterprises from completely having the right to allocate their production materials and products." As I see it, large and medium-size state-run enterprises can practice "independent management and sole responsibility for their profits and losses." The reason is that within a unified state-run economic body under the socialist, all-people ownership system, there are still different relationships concerning the ownership system.

To explain this problem, let us first make a brief study of Marx's theory of ownership.

Ownership is also called the right to own, which refers to the relationships people have formed in possessing production materials. Marx divided ownership rights into three types. The first type is simple ownership right, which refers to the subordinate relationships of production conditions which are separate from the production process. In his exposition of interest-bearing capital, Marx pointed out that the "creation of interest, which is a surplus value, is inherent in exclusive capital ownership right, and therefore, in a sense, is inherent in capital." ("Collected Works of Marx and Engels," vol 26, p 511) The separation of exclusive ownership right from the production process is of a legal nature. So Marx also called it "legal ownership right." (Ibid) The second kind is economic ownership right refers to production relations formed in the course of utilizing conditions for production. For example, under a credit system, a capitalist can borrow

capital to carry out production. "While he is using the capital, he is an economic capital owner." (Ibid, p 565) The third kind is complete ownership right, which is the unification of the legal ownership right and economic ownership right. The division of ownership right into different kinds of right is the result of the development of social productive forces and the result of the development of the law of the division of work.

According to Marx's theory of ownership, the state-owned economy under the socialist, all-people ownership system can be divided into two kinds. The first kind is the economy under the socialist, all-people ownership system, which is the unification of the legal ownership right and economic ownership right. Railway departments, post and telecommunications departments, and aviation departments are this kind of right. Not only the legal ownership right of these departments but also their right to use production materials, that is, their economic ownership right, belong to the state. The second kind is the economy under the socialist, all-people ownership system whose legal ownership right is separated from its economic ownership right. Production departments, excluding the above-mentioned departments, are of this kind. Enterprises belonging to these departments should have the right to use their production materials and should have the right to make independent decisions; the state should not exercise direct control over them.

Comrades Wu Wei and Liu Chengrui maintained that sole responsibility for profits and losses can be practiced only in "small-scale" state-run industrial, handicraft, commercial, and service units and in state-run agricultural, forestry, and breeding units which "do not have an important bearing on the national economy." This view lacks a theoretical basis and does not correspond to China's actual conditions. The main shortcoming of China's management system is that there is no clear distinction between the two forms of all-people ownership, one being complete ownership and the other being the separation of legal ownership from economic ownership. As a result, the state has excessive, concentrated power, while enterprises lack the necessary decision-making rights. An important task in the present reform of the economic system is to expand the decisionmaking rights of enterprises, including "small enterprises which do not have an important bearing on the national economy," as well as large and medium-size enterprises, which have an important bearing on the national economy. The basic principle is to exercise different management methods over enterprises under the two forms of the all-people ownership system. Regarding enterprises under the complete ownership system, since both their legal ownership right and economic ownership right are controlled by the state, they can merely practice responsibility for their profits and losses. Since the legal ownership right of enterprises under the socialist, all-people ownership system is separate from their economic ownership right, these enterprises can practice both "independent management and responsibility for their profits and losses," because their economic ownership right is in their own hands. These enterprises should have the right to decide on their output, the right to purchase production materials, the right to set prices, the right to select and use personnel, and the right to distribute their income after delivery of taxes; the state will set targets merely for their types of products and output value. Only when these enterprises have the above rights can they bring into full play their initiative in production and operation.

Comrades Wu Wei and Liu Chengrui worried that if the concept of the "separation of the ownership right from the right of use" was accepted, the "socialist, all-people ownership system would exist more in name than in reality." I think it is not necessary to worry about this. The only criterion for judging whether an ownership system corresponds to reality is whether economic interests can be realized under this system. Under the capitalist system, the land ownership right manifests itself in land rent, the legal ownership right of borrowed capital manifests itself in interest, and the economic ownership right of functional capital manifests itself in profit. Similarly, under the socialist system, the legal ownership right the state has over enterprises manifests itself in the deduction of enterprises' products by the state. Moreover, the state can stipulate that enterprises cannot use production materials of their own accord and that it can set the purpose of production and the targets for net output value. In this respect, there is a big difference between the economic ownership right of socialist enterprises and the complete, independent economic right of functional capital under the capitalist system. In short, practicing "independent management and sole responsibility for profits and losses" will not change the nature of the all-people ownership system.

CSO: 4006/568

ECONOMIC MANAGEMENT

HUBEI: CIRCULAR CALLS FOR STRENGTHENING INSPECTION

HK280922 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 26 May 84

[Text] Yesterday, the General Office of the Hubei Provincial CPC Committee issued a circular on the strengthening of inspection and supervision and the implementation of various directives.

The circular says: Not long ago, the Provincial CPC Committee and the Provincial People's Government issued a directive on several matters of policy in implementing the Central Document No 1 issued in 1984 and made suggestions concerning the present reform of the urban economic system. The provincial CPC committee and the provincial people's government ask all the province's party organizations and party members to enthusiastically plunge into the rising tide of reforms, to study the speeches delivered by Comrade Hu Yaobang during his inspection trip to Hubei and the relevant speeches delivered by Comrade Zhao Ziyang, to earnestly implement the decisions concerning the reforms made by the CPC Central Committee, the State Council, the provincial CPC committee, and the provincial people's government not long ago, to resolutely eliminate [qing chu] leftist influence, to conscientiously speed up the reforms, and to create a new situation in the economic construction of our province.

It is necessary to regard this work as an effort to act highly in unison with the Central Committee in political and ideological affairs in the course of party rectification and to regard it as the most important task in the course of the simultaneous rectification and correction of defects. At present, the provincial units are carrying out party rectification. All units should, on the basis of the spirit of simultaneous rectification and correction of defects, immediately devote time to studying and discussing the above decisions and directives issued by the provincial CPC committee and the provincial people's government, improve their understanding by way of basing themselves on actual circumstances, formulate measures for implementing them, and speedily organize their implementation in order to carry out synchronous reforms. This is the key to the question of whether or not we can smoothly carry out the reform of the province. All provincial departments must have a clear idea of their important responsibilities for the reforms and be resolute promoters of reforms. Some provincial departments have already done so. However, there are also some who have not started to do the things they should do even though the conclusion of the provincial

rural work conference is already more than 1 month old. Such a state of things is impermissible.

In the course of party rectification, we should resolutely reform our style, conscientiously implement all measures for carrying out the reforms, and ensure the reforms with our style. Party committees at all levels should conduct in-depth investigation; creatively implement the decisions of the provincial CPC committee and the provincial people's government on the basis of the actual conditions; take a clear-cut stand; encourage, help, and guide those reformers who have the courage to innovate and to explore and who are willing to probe into problems, respect the masses' pioneering spirit, discover and encourage on time good examples and good experience that emerge in practice, firmly acquire the style and idea of serving the four modernizations, the grassroots, and the masses, go deep into the realities of life, solve problems for the masses, and enthusiastically yet cautiously study new situations and solve new problems.

The circular says: In order to ensure the implementation of the decisions made by the provincial CPC committee and the provincial people's government, it is necessary to strengthen inspection and supervision. This is an important aspect of the effort made to reform the style of our work, improve leadership methods, overcome bureaucracy, and improve efficiency. The provincial CPC committee charges the secretary general and the General Office of the provincial CPC committee with the task of organizing the departments to properly carry out supervision and inspection. It is necessary to examine the way all the decisions made at the meetings held by the provincial CPC committee are implemented. The results and the pace of their implementation are also to be examined and circulars on the situation should be issued on time. Party committee at all levels should pay close attention to inspection and supervision, build up their strength, establish various systems, set strict demands, and improve efficiency.

CSO: 4006/568

ANHUI ADOPTS MORE FLEXIBLE BONUS POLICY

Beijing RENMIN RIBAO in Chinese 1 Apr 84 p 1

[Article by reporters Chen Baoshan [7115 1405 0810] and Xu Peiying [1776 1014 5391]: "Anhui Changes Method for Issuing Bonuses, and Links Bonuses to Economic Results on a Trial Basis"]

[Text] The Anhui Provincial CPC Committee and People's Government recently decided to change the method for issuing bonuses. In mid-March, the provincial CPC committee suggested perfecting economic responsibility systems in industrial and commercial enterprises and changing methods for issuing bonuses. The provincial CPC committee decided to enact the following measures within the limits provided by central authorities on the condition that the province promises the central authorities that it will fulfill its duty to turn over revenue:

1. The province will change its methods of administering bonuses to prefectures and cities. It will no longer impose a fixed percentage according to the standard wage bill. Instead, it will link bonuses to economic results on a trial basis. In other words, if prefectures and cities overfulfill their revenue delivery tasks, their bonuses will be increased accordingly; if they fail to fulfill their tasks, their bonuses will be reduced accordingly.
2. The bonuses that enterprises receive will also fluctuate according to their economic performance, such that enterprises with different economic results will receive different amounts of bonuses. Prices and other objective factors often cause the profit level of enterprises to differ substantially although labor input might be the same. Calculating bonuses solely according to profits will inevitably cause disparities in income distribution among enterprises. Therefore, before the price system is reformed, different measures could be adopted to regulate the issuance of bonuses.
3. Individual staff and workers may no longer receive egalitarian comprehensive bonuses. Instead, awards and penalties should be determined according to a strict assessment of how well the responsibility system has been implemented. We must dare to permit disparity in the issuance of bonuses. No ceilings or floors will be set. It is necessary to allow and encourage certain enterprises and staff and workers to earn more income through diligence and performance.

4. Great efforts should be made to promote the contract responsibility system. Enterprises should implement the contract system in various forms and at various levels. Contracts must be honored. Those who make contributions should be rewarded, and those who fail to fulfill their tasks should assume economic responsibility.

5. With regard to the form of responsibility systems and measures for issuing bonuses, collective enterprises (including supply and marketing cooperatives) may follow the practice of rural areas and let their staff and workers distribute what is left after delivering enough to the state and saving enough for the collective.

The provincial CPC committee and the provincial government urged CPC committees and government organs at all levels to do a conscientious job in this reform so as to stimulate urban economic work to make new breakthroughs.

12302

CSO: 4006/485

ECONOMIC MANAGEMENT

LIAONING ACHIEVES GOOD RESULTS IN ENTERPRISE CONSOLIDATION

Shenyang LIAONING RIBAO in Chinese 26 Mar 84 p 1

[Article: "Enterprise Consolidation Throughout the Province Achieves Good Results"]

[Text] In the "Government Work Report," Governor Quan Shuren [0356 2885 0088] notes that enterprise consolidation has achieved good results. The leading bodies of Liaoning's 940 enterprises at county and regiment levels have all been readjusted, strengthening enterprise management and the ranks of workers and staff. Eight hundred thirty-nine state-run industrial enterprises have been checked and have met the standards for consolidation. Following consolidation, most enterprises have vastly improved production, operation, and the mental attitude of their staff and workers. Many advanced enterprises have emerged, such as the Shenyang Water Pump Plant, the Yingkou Medium Plate Plant, the Dalian Freezer Plant, the Chaoyang Heavy-Duty Machinery Plant and the Liaohe Chemical Fertilizer Plant. Over 900 enterprises in the province are beginning to use modern managerial methods and means such as overall quality control, value engineering, projected costs, network technology and electronic computers. Management of these enterprises is constantly improving.

Governor Quan Shuren said that new progress has been made in technical transformation, where emphasis has shifted from increasing production capacity to improving quality, variety and standards. While product quality has been further raised, variety and design have also improved. Of the 87 products examined in 1983, 90 percent had stable quality. Sixty-five products won quality awards issued by the state, an increase of 30 percent over the previous year, and 205 products received the title of fine-quality products issued by the ministry, an increase of 62 percent over the previous year. A total of 1,763 new products were trial-produced in 1983, many of which met advanced international and domestic standards.

12302

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ECONOMIC MANAGEMENT

GROUP SAYS ENTERPRISES MUST REORGANIZE LEADERSHIP

OW221823 Beijing XINHUA in English 1543 GMT 22 May 84

["Faster Fix for Factories"--XINHUA headline]

[Text] Beijing, 22 May (XINHUA)--All of China's small- and medium-sized enterprises should reorganize their leadership by the end of September, according to a meeting of the enterprise consolidation leading group held here yesterday.

The pace of leadership reform in key large- and medium-sized factories and the personnel management system should also be accelerated, the meeting was told.

The country's 3,000 key large- and medium-sized enterprises completed their management reorganization in 1983. About 65 percent of the more than 40,000 medium-sized and small enterprises covered by the state budget also finished the task by the end of March.

Speaking at the meeting, Wang Zhaohua, deputy head of the organizational department of the Central Committee of the Communist Party of China, said there was a trend toward lowering qualification standards for leading cadres in medium-sized and small enterprises.

This was mainly because government policies toward intellectuals had not been earnestly implemented, he said.

Wang urged persistence in selecting young and middle aged professionals for top posts.

All directors and party secretaries of key large- and medium-sized enterprises should have a college education by the end of 1985 at the latest and their deputies should acquire at least a college level specialized training, he said. Reexamination and reassessment of new leading bodies in these enterprises should also be carried out, he said.

He also called for the earnest implementation of State Council decisions on economic reforms including those on personnel management. All regulations

incompatible with China's on-going economic reforms should be done away with, and greater support should be rendered to those daring to blaze new trails in raising management competence, Wang said.

College-educated professionals between the ages of 30 and 40 should also be prepared to take up leading posts as reserve cadres, said Yuan Baohua, vice-minister of the State Economic Commission and head of the enterprise consolidation group.

CSO: 4020/133

ECONOMIC MANAGEMENT

GUANGMING RIBAO DISCUSSES ENTERPRISE AUTONOMY

HK301231 Beijing GUANGMING RIBAO in Chinese 20 May 84 p 3

[Article by Rong Chang [2090 2512]: "Several Questions About Autonomy of Enterprises"]

[Text] In the reform of the economic system, it is necessary to manage, and manage well, the macroeconomy; at the same time, it is also necessary to release the hold on and enliven the microscopic marketing activities. This requires that, while strengthening the macroscopic planned management of the national economy, adequate decisionmaking power is granted to the enterprises in their marketing and management. However, among the economic theoretical circles and some of the comrades in the practical work departments, there are differences in understanding regarding some questions related to the autonomy of enterprises. This article attempts to discuss some views regarding this.

The Dispute on Excessive Expansion of Power Versus Insufficient Expansion of Power

Some comrades hold that in the reform of the economic system in recent years, generally speaking, the measures adopted in expanding the decisionmaking power of enterprises have been carried out to excess, resulting in such phenomena as exaggeration of costs, excessive distribution of bonuses, blind and repetitive construction, and failure to deliver planned products to the state. Therefore, the decisionmaking power of enterprises should be appropriately reduced. In my opinion, this view needs further discussion and consideration.

It is true that the above phenomena do exist in some enterprises, and some even rather seriously. However, it must be understood that first, the incidence of such problems, especially the occurrence of those illegal practices, is neither the original purpose of expanding the decisionmaking power of enterprises in their marketing and management nor the natural result of the expansion of power itself. We must never utilize the obviously erroneous practice of an extremely small number of enterprises to negate the necessity of expanding the decisionmaking power of enterprises and the correct orientation of the reform. Second, in comparison with not expanding the power, the good or bad effect of expanding the power should be assessed on the basis of practice. Conclusion and general evaluation have already been made

on the facts which have demonstrated the excellent situation since the 3d Plenary Session of the 11th CPC Central Committee and by the economic vitality and the initiative in production as a result of expanding the decision-making power of enterprises. Therefore, it should not be asserted that expansion of power has been carried out to excess just because of the mistakes of some enterprises which should not have occurred or because of some imperfections in the reform. Third, judging from the practical requirements of enterprises in their current production and marketing, there still exist many difficulties for these enterprises to conduct renewal of technology and technological transformation, upgrade their products, and improve the connection between production and marketing, because there are still a lot of trammels binding their hands. Consequently, it is rather hard for enterprises to truly become relatively independent commodity producers, and it is impossible to implement the system of responsibility for one's own profits and losses. Fourth, certain decisionmaking power has been accorded to enterprises which, because they still lack the guarantee of external cooperation necessary in their production and marketing and lack of power of recruiting and appointing personnel, only makes the enterprises feel as if they are "grasping the power but lacking the substance." For example, the insufficient supply of raw materials, power, and fuel makes it impossible for enterprises to map out normal plans for their production, so as to turn out products according to plan or even above the norm; the lack of assurance of the requisite materials, equipment and technological force makes it impossible for certain scheduled renovation projects and technical arrangements to start work or to become operative according to schedule.

To sum up, in these years, although there have been instances of improper or excessive expansion of power, when considering the requirements of enlivening the economic activities of enterprises, and fully mobilizing the initiative of the enterprises and their staff and workers, the general scale of expansion cannot be said to be excessive; in fact, the present scale of expansion is still not enough, or the "expansion" is only very limited, and it is essential to continue to adequately expand the decisionmaking power of enterprises.

The Question of Expansion of Power for Enterprises and the Financial Revenue

In the last few years, the proportion of the financial revenue of our country in the national income has decreased too rapidly, resulting in financial difficulties in the country. Some comrades use this situation to support their view of reducing the decisionmaking power, especially the finance-related power, of the enterprises. Although this argument is not without some ground, it is still necessary to make concrete analysis regarding the overall situation.

First, the current financial difficulties of our country and the above-norm distribution of the newly increased national income are caused by many factors, and they should not be solely attributed to the expansion of the finance-related power of enterprises. In addition to the poor social economic results and the somewhat excessive retention of profits by the enterprises, the direct causes of the financial strain are such factors as the excessive scale of investment in capital construction, serious losses in foreign trade,

heavy price subsidies, rapid increase in consumption funds, and increased expenditure in administration. Furthermore, in terms of the proportion in the national income for the above factors, the increased income of enterprises does not constitute the major portion. Therefore, the effect of expanding the power on the financial condition should not be exaggerated.

Second, with regard to the expansion of the finance-related power of enterprises and the increased retention of profits, it is necessary to view this situation from two angles: On the one hand, they affect the financial revenue to a certain degree; on the other hand, they correspondingly reduce the pressure on the state's finance. For example, residential buildings for staff and workers and social welfare facilities have been completed, which should have been built with the funds allotted by the state; the enterprises also use their increased financial resources to share the costs in such fields as civil construction, culture, education, and public health in society.

Third, the fundamental cause of the financial difficulties in our country should be attributed to the situation that the poor social economic results have not been radically improved, rather than to the excessive expansion of power of enterprises. For example, when compared with 1979, the material consumption of the productive enterprises in 1982 increased by 47.2 percent, which was higher than the rate of increase of the national income in the same period--41.1 percent; the wages and bonuses of staff and workers increased to 2.9 times the original figure, which was much higher than the rate of increase of the labor productivity; in addition, there were uncontrolled increases of prices of the means of production and uncontrolled distribution of costs, leading to increased costs in production; as a result, the rate of profits and taxes per 100 yuan of capital decreased by 26 percent. Under these conditions--input was greater than output, low economic results, and increased production without increased revenue, plus the fixed ratio of sharing profits between the state and the enterprises--the increase of the financial revenue was essentially impaired.

The Question of Expansion of Power of Enterprises and the Inflation in Investment

Some comrades maintain that since the enterprises have the decisionmaking power in production and marketing, especially when they have a certain power to handle financial affairs, they are likely to be engaged in blind construction and repetitive construction, resulting in inflation in investment. Although this view is not entirely groundless, it still needs further deliberation.

First, in the past, the state-run enterprises carried on their production only on the instructions and plans from the above-level administrative departments, and they practiced a system of unified revenue and expenditure. As a result, the enterprises were not interested in technological transformation or developing new products and technologies, because they possessed little decisionmaking power themselves and they did not have to shoulder the responsibility of blind production and blind construction. However, practice has proved that once the enterprises experience external economic pressure and enjoy internal economic incentive, unifying their responsibility and

power with benefits and being responsible for their own profits and losses, they will become shrewd and competent, and the number of stupid things like blind construction and repetitive construction will be greatly reduced. Otherwise, the leaders of enterprises will certainly be "hooted" down from their leading posts.

Second, so long as the macroscopic planned management and the control of investment are effectively strengthened, and they are guided by various means of economic readjustment, and, in particular, when the technological transformation and requisite capital construction are conducted on the basis of practicable regulations and plans formulated by different trades, then the blind construction and blind transformation conducted by enterprises with their own funds can be avoided to a great extent. Therefore, it is not appropriate to hold the expansion of the decisionmaking power of enterprises accountable for all the problems in the fields of production and market information, and for others which arise from the defects in planned management, economic regulations, or the use of the economic levers, leading to some blind and "involuntary" investment.

Third, in view of the fact that in many instances there is no marked distinction between capital construction and technological transformation, between technological transformation and expanded reproduction, it is unrealistic to prohibit the enterprise conducting expanded reproduction activities which are beneficial to developing production and enhancing economic results and which are being conducted within the capacity of the enterprises themselves. And these restrictions are out of keeping with the spirit of reform in enlivening the microscopic economic activities, and bringing into full play the initiative and activeness of enterprises. Otherwise, these enterprises could only resort to the past practices of "waiting, depending, and asking."

Therefore, even though such a phenomenon that enterprises use their financial resources to carry out blind construction and blind transformation after the expansion of power does exist, the main cause of the inflation in investment seems to be the defects in the macroscopic control of the scale of investment and the management and guidance of plans, and it is not the logical result of the expansion of the decisionmaking power of enterprises. If this is not the case, how should we explain the question of the loss of control over the scale of investment in capital construction which existed for a long period in the history of our country?

Generally speaking, the magnitude of the decisionmaking power of state-run enterprises in production and marketing should be decided on their economic responsibility undertaken toward the state, that is, the power is to be decided by the responsibility. This power should be beneficial to the enterprises in that it will help them to become relatively independent economic entities, enhance their quality and economic vitality, and implement the responsibility system for their profits and losses or assume sole responsibility for their profits and losses. According to the nature of the socialist state-run enterprises, due decisionmaking power should be granted to them on the premise that the state ensures the supply of the external conditions necessary in production (such as the minimum working capital necessary in

production and marketing of the enterprises, and basic material conditions like raw materials, fuel, and power). As to what decisionmaking power the state-run enterprises should have, this article will not dwell on this as relevant regulations have already been stipulated: On 10 May this year, the State Council promulgated the "Provisional Regulations Regarding Further Expanding the Decisionmaking Power of State-run Industries and Enterprises," which deals with ten aspects of this question, namely, marketing and planning in production, sales of products, prices of products, selection and purchase of materials, utilization of capital, handing of assets, structural arrangements, management of personnel and labor, wages and bonuses, and joint ventures.

CSO: 4006/568

ECONOMIC MANAGEMENT

GUANGDONG SURVEY TEAM VIEWS JIANGSU DEVELOPMENT

HK290415 Guangzhou YANGCHENG WANBAO in Chinese 24 May 84 p 1

[Report by Ye Deshi: "Rapid Economic Development in Jiangsu Is an Eye-opener to a Guangdong Survey Team"]

[Text] A survey and study team composed of Lin Ruo and Xie Fei, secretaries of the Guangdong Provincial CPC Committee; Vice Governor Liu Junjie; responsible persons of the provincial departments, commissions, offices, and bureaus concerned; and responsible persons of Guangzhou and Foshan cities conducted a 2-week survey in 10 cities and counties in Jiangsu Province, which enabled members of the team to learn a lot from Jiangsu's experience in speeding up economic development. Comrade Lin Ruo said: "The survey is of great use to us."

New economic development in Jiangsu over recent years has drawn the attention of the entire country. Since the 3d Plenary Session of the 11th CPC Central Committee, Jiangsu's gross industrial and agricultural output value has increased at the rate of 11.4 percent each year. In 7 years ending last year, Jiangsu was able to double its gross industrial and agricultural output value. In 5 years ending last year, 13 counties and 5 suburban areas were able to double their industrial and agricultural output value. The gross industrial and agricultural output value of Changshu, Wuxi, and Jiangyin counties has exceeded 2 billion yuan, and that of six communes (townships) has exceeded 100 million yuan. At present, Jiangsu's agricultural output value ranks first in the country, its industrial output value second, and its revenue third. In the 1960's, Guangdong and Jiangsu were about the same with regard to economic development. But last year, Jiangsu's gross industrial and agricultural output value exceeded Guangdong's by 30 billion yuan.

Jiangsu's methods of invigorating its economy greatly aroused the interest of the Guangdong comrades. During the survey, members of the survey team learned a lot from Jiangsu's experience. For example, the higher authorities and the masses make joint efforts in bringing into full play Jiangsu's positive factors and in doing economic work; Jiangsu energetically supports collective enterprises and township-run enterprises, and as a result, these enterprises have occupied a decisive position in the national economy (the gross output value of collective enterprises accounts for 40 percent of that of enterprises throughout the province and the output value of township-run

enterprises amounts to 16.2 billion yuan (28 percent of the province's gross industrial output value); Jiangsu carries out cooperation with other provinces in substantiating its energy and raw and processed materials; and it pays close attention to producing quality and famous-brand industrial products. [Words indistinct] the conclusion of the survey, members of the survey team had one wish: to make great efforts in "reform." In line with Guangdong's actual conditions, they are determined to bring Guangdong's superiority into play and to work out practical measures for reform so as to realize a greater leap in Guangdong's economy.

CSO: 4006/568

ECONOMIC MANAGEMENT

TIANJIN: AGREEMENT SIGNED ON TIANJIN HARBOR ADMINISTRATION

SK010648 Tianjin City Service in Mandarin 1430 GMT 31 May 84

[Text] The signing ceremony to hand over Tianjin Harbor to the administration of Tianjin Municipality was held at the Tianjin Guest House this afternoon.

Zhao Weichen, vice minister of the State Economic Commission, and Wu Zhen, acting major of Tianjin Municipality, attended and presided over the signing ceremony. Zi Gang, vice minister of communications; Wu Bingze, representative of the Ministry of Foreign Economic Relations and Trade; and Liu Zengkun, deputy mayor; signed a protocol respectively on behalf of the Ministry of Communications, the Ministry of Foreign Economic Relations and Trade, and the Tianjin Municipal People's Government.

In accordance with the decision of the CPC Central Committee and the State Council, Tianjin Harbor will serve as a pilot unit for system reform beginning 1 June. The Tianjin Harbor Administration Bureau, the Tianjin Harbor Supervision Department, the Tianjin Tally Branch Company, the Tianjin Ship-Fueling Branch Company, the Tianjin Ocean Shipping Agency, and the Tianjin External Transport Branch Company will implement the management system of placing the administration mainly under the leadership of Tianjin Municipality with the Ministry of Communications and other relevant departments of the central authorities playing a supplementary leadership role. This reform experiment will not only expedite the building the Tianjin Harbor but will also develop a port management system with Chinese features. It will play a great part in further implementing the policy of opening to the outside world and enlivening the domestic economy.

Also attending this afternoon's signing ceremony were responsible persons of the relevant departments of the central authorities, including the State Economic Commission, the State Planning Commission, the Port Office of the State Council, the Ministry of Communications, the Ministry of Foreign Economic Relations and Trade, and the Ministry of Finance, and Lu Xuezheng, secretary general of the Tianjin Municipal Government.

CSO: 4006/568

ECONOMIC MANAGEMENT

HUNAN COUNTY ENTERPRISES LEARN FROM SHENZHEN

HK280408 Changsha Hunan Provincial Service in Mandarin 1100 GMT 26 May 84

[Text] In recent years, the state-run enterprises in Linxiang County have studied and applied the Shenzhen special zone's experience in construction, and on the basis of the local conditions, have comprehensively recruited gifted technical workers, signed contracts on paid labor with institutions of higher learning, and bought patents for new technologies. Consequently, they have achieved remarkable economic results.

In early May, the provincial people's government presented to the county economic commission a silk banner with the words, all the state-run enterprises in Linxiang County make a profit, printed on it. In the past, the state-run industrial enterprises in this county were in grave need of gifted technical workers, their machinery and equipment were obsolete, and they lacked capital. Thus, it was very difficult to develop industry. In 1982, the county economic commission organized the masses of cadres and workers working in the state-run industrial enterprises to study the reports concerning the economic construction of Shenzhen and to apply its experience on the mainland. A series of measures for improving the technological levels of the enterprises were adopted. They called on the cadres and workers working in the industrial enterprises to recommend gifted people and to write to their relatives, fellow townspeople, and friends working elsewhere. Priority was given to solving the housing problem and the problem of giving jobs to the families of technical workers with a secondary vocational education or above who were willing to work in the factories and mines run by the county. They were given larger premiums than those ordinarily given to other workers. Those with special skills or whose training was geared to the needs of the jobs and yet did not want to work for the factories and mines run by the country for a long time were employed on a short-term basis and were given generous remunerations.

Since 1983, they have employed or transferred from other parts of the country 43 technical workers, thus adding to the technical force of the enterprises. In 1983, those technical workers employed or transferred from other parts of the country and the elderly workers of the enterprises jointly carried out 33 technical transformation projects. In order to tackle the key technical problems, they have successively signed 11 contracts with 9 institutions of higher learning, paying them to tackle the technical problems. Success has been achieved. Of the scientific achievements made, seven have been applied in production.

Over the past 3 years, the state-run industrial enterprises in this county have bought the patents for 2 new technologies and imported 6 new technologies and 14 sets of new facilities. After applying Shenzhen's experience in economic construction, the 13 state-run industrial enterprises in this county have improved their economic results notably. Compared with those in 1982, the industrial output value and the profits made have grown by 42 percent and 85 percent, respectively.

CSO: 4006/568

ARTICLE ON PRODUCTION-MARKETING RELATIONSHIP

HK010748 Beijing RENMIN RIBAO in Chinese 28 May 84 p 5

[Article by Xu Hongsheng [6079 3163 5116]: "An Analysis of 'Fixing Production According to Marketing'"]

[Text] Compared with the practice of "fixing marketing according to production," the practice of "fixing production according to marketing" is much more advanced. However, one may still encounter a lot of problems in actual work. For example, production output may exceed sales volume, or vice versa. In brief, production and marketing always fail to coordinate with each other.

What are the causes of this? One of the important causes is that some comrades, in a metaphysical view, interpret "marketing" as isolated and static.

"Marketing" as interpreted by some comrades means marketing within the scope of their own trade. They think that their commodities are marketable as long as they can sell out these commodities; and that their commodities will prove to be nonmarketable only when there is an overstock. In some other comrades' eyes, "marketing" is a constant--they just fix a year's production quota based on the previous year's sales volume. All of these comrades have seen "marketing" as isolated and static and ignore the fact that it is exposed to external influence and subject to change.

We must say that the concept of "fixing production according to marketing" is basically correct. But it is necessary to interpret "marketing" in a scientific way and make a concrete analysis of the sales volume of commodities.

Fundamentally speaking, whether a commodity is marketable and how big the sales volume is are determined by the demand of the society and the quantity demanded. A commodity is marketable as long as the society has a demand for it and the sales volume remain big as long as there is a great demand; otherwise, the sales volume is limited or the commodity is nonmarketable. However, in reality, the actual sales of a commodity do not fully accurately reflect the demand of the society. The marketability of a certain commodity may mean that the supplied quantity of the commodity is smaller than the social demand, or that the stock kept by a specific firm is just equal to the local social demand. However, one cannot conversely come to a straightforward conclusion

that the society has no demand for a commodity if the commodity is not marketable. It is probable that customers do not want to buy the commodity because of its inferior quality; that consumers cannot afford the commodity because of its high price; that consumers have never heard of the commodity and cannot get access to it; or that there is in a certain place an overstock of a kind of commodities which exceeds the local demand at a moment while the same kind of commodity is out of stock elsewhere. Under such circumstances, if we fix the production quota simply based on the sales volume, our decision will neither fully meet the social demand nor give an impetus to production.

Thus, it can be seen that, in the concept of "fixing production according to marketing," "marketing" should not be viewed as isolated and invariable. On the contrary, "marketing" is a variable thing which is affected by many factors. Those engaging in commercial trade must take into account the changing circumstances and many factors affecting "marketing" when fixing production quotas according to "sales volume." To put it in concrete terms, that means we must consider social demand, product quality, commodity price, sales promotion, balance between different areas, and other factors which affect sales volume, and, based on an analysis of all the above, find out the state of "marketing" in a scientific way. Only in this way, can "marketing" properly provide feedback to "production," give an impetus production, and thus meet social demand.

Strictly speaking, both "fixing marketing simply according to production" and "fixing production simply according to marketing are to a certain extent one-sided views. If "marketing is fixed according to production," we can only sell what is available and sell as much as the quantity produced. Then, production will not be able to meet the market demand, or there will be an overstock. Conversely, if we "fix production according to marketing" indiscriminately, we will not be able to meet the market demand either and, at the same time, we may also completely ignore the decisive role of production in commodity circulation. In saying that production determines exchange and consumption, we not only mean that the existing state of production is the material prerequisite for exchange and consumption but also mean that the emergence of a new product will bring about new consumption and new exchange. We must not only arrange production according to the market demand but must also develop new products to tap and meet new market demand, and thus enliven production and enliven the market.

CSO: 4006/568

ECONOMIC MANAGEMENT

OTHER AREAS WELCOME TO AID YUNNAN'S DEVELOPMENT

HK311558 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 30 May 84

[Text] On 28 May, on behalf of the Yunnan Provincial People's Government, Vice Governor Zhu Kui announced that Yunnan Province cordially welcomes all fraternal provinces, autonomous regions, and municipalities and all units concerned throughout the country to take part in the exploitation of natural resources in Yunnan and to carry out cooperation with the province so as to create a new situation in economic and technological cooperation and cultural exchanges with fraternal provinces, autonomous regions, and municipalities.

At present, Yunnan Province is prepared to further do a good job in cooperation with fraternal provinces, autonomous regions, and municipalities in 112 aspects, including nonferrous metals; phosphorus ore; forestry, animal husbandry, fisheries; flue-cured tobacco; tea; cane sugar; spices; lac; tropical industrial crops; tourism, and technological management. Cooperation can be carried out in many forms, through many channels, at many levels, and in many categories, including operation by sole proprietors and joint ventures, building factories, running mines, opening shops, carrying out management on behalf of others, signing economic contracts, transferring technology, providing an advisory service, and holding products fairs.

Vice Governor Zhu Kui announced: With a view to doing a good job in cooperation, Yunnan Province will provide preferential treatment in four aspects-- financial compensation, remuneration for personnel, rewards, and taxes.

The specific contents of preferential treatment in financial compensation are:

1. Those who provide technology and capital, and set up mines and factories jointly with Yunnan will have a share in the products and profits.
2. Foreign exchange from increased export produced by joint ventures or through cooperation will be proportionately shared.
3. Those who help existing enterprises conduct technological transformation, resulting increased profits, will have a pro rata share in the profits. In

accordance with [words indistinct] requirements of the other party, materials, including [words indistinct], timber, coal, flue-cured tobacco, cigarettes, and lac, can be provided by way of compensation.

4. Enterprises and individuals outside the province can buy shares in or operate as sole proprietors small nonferrous metal mines, small coal mines, small phosphorus ore mines, reservoirs, fish ponds, barren mountains, uncultivated slopes, spices processing works, flue-cured tobacco works, and lac undertakings.

The specific contents of preferential treatment in remuneration for personnel are:

1. All technological personnel and workers who come to Yunnan to help it with work will be paid basic wages by the units which employ them and will be given a certain monthly living allowance. The wages for skilled crafts will be fixed through negotiation between the units which employ them and the skilled craftsmen themselves and the remuneration will be good.

2. The bonuses, medical expenses, and other living allowance for the personnel who come to assist the units will be the same as those for the workers of the units which are assisted. If the bonuses are lower than those in their original units, they will be issued with the bonuses according to the bonuses of their original units.

3. All technological personnel at and above the assistant engineer level who are willing to settle in Yunnan will receive [word indistinct] are in housing and changing their family members' residential registration from rural to urban areas. Agricultural population can be transferred into nonagricultural populations for skilled craftsmen if they are willing to settle in small towns in border areas of minority nationalities.

CS0: 4006/568

ECONOMIC MANAGEMENT

NEI MONGGOL: PROVISIONS ON 2D LIGHT INDUSTRIAL UNITS ISSUED

SK290555 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 28 May 84

[Text] In line with the spirit of conducting transformation, the autonomous regional people's government recently issued the 20 provisions on regulating management of the second light industrial collective enterprises so as to accelerate the rapid development of the second light industries in the course of conducting transformation throughout the region.

The major guidelines of the 20 provisions are as follows: The system of the second light industrial collective enterprises should be transformed and their state ownership should be changed into citizens' ownership. The plant chiefs of enterprises can be elected in a democratic way by their staff members and workers. The deputy chiefs and key cadres of enterprises may be appointed by their plant chiefs. The second light industrial collective enterprises should further enforce and perfect managerial contracting systems. In paying simultaneous attention to the interest among the state, collectives, and individuals, the labor remuneration for staff members and workers can be paid directly according to enterprises' profits and losses. Wage scales can be in various forms. The second light industrial collective enterprises can commend their staff members and workers who have made marked achievements in both production and work by conducting pay-grade promotions. These enterprises can punish their staff members and workers who have violated the plant's regulations and rules by imposing economic and administrative sanctions on them or by dismissing them. The graduates of higher learning institutions and secondary vocational schools, who were assigned by the state to the second light industrial collective enterprises and establishments, can retain their status of state cadres who can also get a pay-grade promotion when they are retained by collective enterprises and establishments. However, the pay-grade promotion among state cadres will be invalid when they are transferred to other units. Those who have succeeded in creation and have made marked achievements in work can receive a pay raise by breaking the regulations and rules. The staff members and workers of collective enterprises, who have obtained the qualification of learning at higher institutions and secondary vocational schools through taking training courses or conducting self-study, can enjoy the same privileges of state cadres.

To urge collective enterprises to increase income after output increases, we may enforce the measures of giving a 50-percent deduction of industrial and commercial income taxes to the second light industrial collective enterprises when they score profit increases.

In increasing tax payments progressively, our concrete measure is to take the average sum of taxes and profits handed over to the state during the period from 1981 to 1983 as the base. Enterprises whose profits are under the base should pay industrial and commercial income taxes in line with the law. Those whose profits are above the base will enjoy a 50-percent deduction of income taxes for 3 years. They will also be exempted from paying the foundation funds of cooperatives until the end of 1986.

CSO: 4006/568

BRIEFS

GUANGDONG TECHNOLOGICAL TRANSFORMATION--The Guangdong provincial government recently approved and transmitted the report of the provincial finance department on measures for promoting enterprises' technological transformation and for developing new products. The provincial government notified all places throughout the province that these measures should be carried out. The measures are that the funds for enterprises' technological transformation can be spent in a unified way, the rate of depreciation of the fixed assets of the enterprises which attach importance to technological transformation can be raised properly and in a planned way, a certain amount of depreciation funds can be properly concentrated to meet the needs in funds for key technological transformation items in the province, the method of appropriating funds for technological transformation must be improved, and the policy on giving preferential treatment to enterprises which develop new products must be implemented. It is necessary to select 50 machine building enterprises and all electronics enterprises which will be given 0.5 percent to 1 percent of funds for technological development according to their amount of sales. [Summary] [HK051532 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 31 May 84]

CHONGQING LONG-TERM ECONOMIC AGREEMENTS--At the end of May, the Chongqing City People's Government signed 24 long-term comprehensive economic and technological agreements with the people's governments of Deyang and Luzhou cities in Sichuan and with the government of Dehong Autonomous Prefecture and the commissioner's office of Qujing Prefecture, both in Yunnan. In accordance with the guiding principle put forward by the central authorities on organizing economic networks with the key cities as the props, at the end of May delegations from Deyang, Luzhou, Dehong, and Qujing paid visits to Chongqing to learn its experiences in comprehensive reforms of the economic setup. During the visits, they reached agreements with the Chongqing City Government on economic and technological cooperation, science and technology exchanges, the training of talent, exploitation of resources, and on imports and export business, and so on. They also agreed on the first group of cooperation projects. [Text] [HK060241 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 2 Jun 84]

WUHAN CITY ECONOMIC EXPERIMENTS--With the approval in principle of the CPC Central Committee and State Council, Wuhan City will carry out a pilot project in separate listing in the plans and in carrying out comprehensive reform of the economic setup. Wuhan City is a leading economic center on the middle reaches of the Chang Jiang, and is also the provincial capital. It is a big city. Separate listing in the plans and the pilot project in economic setup reforms will be of major significance for enlivening the economy of central China and probing the role of large provincial capital cities as economic centers. In their approval reply to the Hubei Provincial CPC Committee and People's Government, the General Office of the CPC Central Committee and the General Office of the State Council pointed out: Carrying out comprehensive reforms of the economic setup in Wuhan City involves broad areas, and the problems are rather complex. It is essential to strengthen leadership, make careful plans, and carry them out in a measured way. They demanded that the provincial CPC committee and government work with the Wuhan City CPC committee and government to get a good grasp of investigation and study. They should proceed from the actual conditions in formulating specific reform schemes as soon as possible. [Text] [HK010251 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 31 May 84]

BONUS POLICY IN FUJIAN--Leading comrades of the Fujian Provincial Financial Office said: We support the appeal of plant directors and managers that they should be "cut loose" and given some necessary powers. The provincial financial office agreed with the third and fourth demands made by plant directors and decided to give them active support. The contents of their demands are: enterprises should have the right to control and use the bonus funds they collected; bonuses should fluctuate as taxes and profits increase and decrease; no ceilings or floors should be set for bonuses; in light of actual conditions, enterprises may adopt floating wage and grade scales and a duty subsidy system; after fulfilling state plans, enterprises may organize raw materials to produce goods and sell them on their own or through coordination with other units in accordance with the principle "buy high and sell high" and "buy low and sell low." A system of issuing fluctuating bonuses according to taxes is also being considered. As long as production expands, costs are reduced, and profits and taxes, both earned and delivered to the state, are increased, enterprises should be allowed to issue more bonuses. [Text] [Beijing RENMIN RIBAO in Chinese 31 Mar 84 p 2]

12302

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FINANCE AND BANKING

IMPROVING ECONOMIC RESULTS EMPHASIZED

Beijing CAIZHENG [FINANCE] in Chinese No 4, 8 April 84 pp 9-11

[Article by Shen Guohua [3088 0948 5478]: "Initiate a New Situation of Improving Economic Results; Production, Profits and Income Develop Synchronously"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee, Zhejiang Province's financial departments at all levels, under the leadership of the provincial party and provincial government, earnestly implemented the policy of readjustment, restructuring, consolidation and improvement. They took the key of financial work and placed it on the track of making the improvement of economic results central, did a great deal of solid work and achieved outstanding results. From 1979 to 1983, it is calculated that gross industrial output showed a yearly average increase of 12.6 percent, profits increased at an average rate of 13.4 percent and income increased 12.6 percent per annum. They achieved a synchronous increase in production, profits and income. Their main methods are as follows:

1. Realize a Financial System That Is Advantageous in Stressing Economic Results in Every Respect

In 1980, after the state carried out for Zhejiang a financial system of "dividing the kitchen to eat" that involved dividing income and expenditures and classifying responsibilities, the province, in order to arouse the enthusiasm of each prefecture, city and county to develop the economy and improve economic results, decided to use 1979 as a base. It fixed incomes and expenditures and gave responsibility to the prefectures, cities and counties. It considered the income outside of industrial and commercial taxes (mainly profits and income tax) to be fixed income. It adopted for our provincial finances, based on the different circumstances of each area, the methods of handing over a quota, making compensatory adjustments and making up the difference. 1. In areas in which income is greater than expenditures, it determines an amount to be handed over, and 70 percent of the portion of the fixed income that has increased compared to the year before is retained by the locality and 30 percent is handed over to the provincial government. 2. In areas in which the fixed income is insufficient to make a compensation, it implements the method of using industrial and commercial taxes as a regulated compensation. 3. In areas in which income is still not compensated

After the regulated compensation of using industrial and commercial taxes, it uses the method of making up the difference. Implementing the aforementioned financial system causes the development of enterprise production and the improvement of economic results to be closely linked with the economic results of localities, and it has greatly aroused the enthusiasm of local party and government departments at all levels to organize and manage the economy. The year 1980 was the first year in which the new system was implemented, and that year the revenue fulfilled increased 20.2 percent compared to 1979. Of this, enterprise income increased 41.4 percent, and this fully demonstrated the "vitality" of the financial responsibility system.

In 1982, after the state implemented the total distribution system for Zhejiang Province, the province also made corresponding improvements in the financial system of prefectures, cities and counties. For instance, it took the system which had originally been implemented by the prefectures, cities and counties of handing over a quota and changed it in 11 cities and prefectures to a system of total distribution. The other regions which did not change to the total distribution system changed to the method of increased distribution of industrial and commercial taxes. With the steady improvement of the financial system, it further aroused the enthusiasm of all areas for stressing industrial and commercial taxes, and this had a positive effect on spurring the speedy development of production and the steady increase of income. The leading comrades of the party provincial committees and the provincial government and the comrades of all departments feel that for the past few years, the implementation of the financial system of "dividing the kitchen to eat" is an important reason for the quick development of Zhejiang's production and the steady improvement of economic results.

II. Concentrate Funds and Support Development of Production

After the province carried out the financial system of "dividing the kitchen to eat" for Zhejiang, due to the development of the economy and improved results, although a definite reserve of financial resources was accumulated within the province, and yet due to the numerous problems left over after 10 years of internal chaos, numerous industries were in need of development and the contradiction of the supply and demand of funds was still prominent. We must stress using finances and producing money in order to utilize funds. If funds are effectively used, we can then produce money; if financial resources are developed, we can then relieve the need for funds in all respects. Thus, competently using and managing existing funds are the keys to developing production and opening up financial resources. For the past few years, the provincial financial departments, based on the decisions of the provincial people's government, first centralized financial resources for developing production and achieved outstanding results. In the 5 years from 1979 to 1983, 77.7 percent of the province's financial reserves were arranged and used for production purposes. Of this, 18.1 percent were used to develop energy resources and transportation, 24.8 percent for developing agriculture and 45.4 percent went to light and textile industries. For example, in order to develop the production of consumer goods, the province took 20 million yuan from its financial resources and used it to establish a source of raw materials. Up to the end of 1982, it had already established a 133,000-mu base for fruit and vegetables and 31,700 mu of forest for making paper and

developed a herd of 15,500 cows and 140,000 goats. After this has been developed, each year it can provide 42,000 cubic meters of lumber, 47,000 tons of all types of canned fruit, 12,300 tons of eggs and 1,900 tons of essence and perfume. After the entire project is over, each year the gross output value can increase by 110 million yuan, profits and tax revenue can increase by 22 million yuan and nearly \$20 million will be earned in foreign exchange. The provincial government departments are still taking the limited local foreign exchange and concentrating it on the importation of raw and processed materials, on industrial and agricultural production and on instruments and equipment needed in education, health and other areas. According to statistics, in the 4 years from 1980 to 1983, 62.8 percent of the local foreign exchange was used to import industrial raw materials, 12.3 percent was used for agricultural goods, 16 percent went toward instruments and equipment and 5.6 percent was used to bring in industrial technology. Further, financial departments often went into the enterprises and helped the enterprises improve management and administration and strengthen financial accounting. In a timely manner they used small loans to give support to the problems encountered by enterprises in production. In the 4 years from 1980 to 1983, financial departments extended 580 million yuan in small loans to 4,455 projects. According to the statistics from the economic results of 3,300 projects that have already gone into production, in 1 year the gross output value increased 1.82 billion yuan, profits increased 240,000 million yuan and revenue increased 185 million yuan; these are good investment results.

In order to avoid the decentralized use of funds, Zhejiang Province for many years has supported an inspection by the governor of the province into the use of financial reserves. The production expenditures approved are enthusiastically supported and nonproductive expenditures are strictly controlled.

III. Strive to Promote Technological Transformations of Existing Enterprises

Since the 3d Plenum of the 11th CPC Central Committee, the provincial party committees and provincial government have determined that under the circumstances of the province's industry already being fairly standardized, future industry developments must mainly depend on existing enterprises tapping potential from within and must not do things on too large a scale and build new factories. Based on this determination, they concentrated financial resources in every respect and applied this concentration on technological transformations for existing enterprises. In the 5 years from 1979 to 1983, the province used nearly 2 billion yuan for investments in technological transformations and arranged technological transformations for nearly 7,000 projects. Of these, 2,200 projects were arranged by the state and province with investments totaling 1.295 billion yuan. The prefectures and counties arranged 4,800 projects with investments totaling 700 million yuan. This money was mainly used in the following three areas:

(1) Technological transformations were carried out for conserving energy. In 5 years, 365 energy conservation projects were arranged using a total of 326 million yuan in investments. A total of 550 inefficient boilers was transformed, heat efficiency was improved 10 to 20 percent and this could save 80,000 tons of coal per year.

We transformed 30 tunnel kilns and conserved coal by 40 percent. We installed 26 excessive-high-heat boilers, and in 1 year we saved 70,000 tons of coal. After the province's electric power line network was transformed and repairs made, losses on the lines decreased from 14.51 percent in 1978 to 8.35 percent. After 5 years of energy transformations, compared to period before the transformations the province in 1 year can save 550,000 tons of coal and 400 million kW of energy. This has made a great contribution toward mitigating the situation of scarce energy resources, increasing production and improving economic results.

(2) We carried out technological transformations for increasing the production of consumer goods in light and textile industries. The province in 5 years arranged a total of 840 technological transformation projects for light and textile industries and invested 530 million yuan. This constitutes 42 percent of the state's and province's total investment in technological transformations. Through the technological transformations of the past few years we increased the production capability of a large group of scarce light industry and textile products and caused the production of the province's light and textile industries to increase to a great degree. In 5 years, gross output increased an average of 17.7 percent per year and profits showed an average annual increase of 15.3 percent.

(3) We carried out technological transformations for developing new products and improving the quality of production. The industries of the provinces bordering Zhejiang are fairly developed; Shanghai and Jiangsu are strongly competitive and 40 percent of their industrial products are either sold outside of the province or exported. Objective circumstances cause Zhejiang's industry to be placed in a competitively inauspicious position. In order to develop, they are extremely attentive to developing new products, raising the quality of products, "achieving victory through newness and quality" and continually improving the competitive capability of products in domestic and foreign markets. Since 1979, Zhejiang has used a total of 119 million yuan in funds in this respect. For the past few years, the machine industry has used high-quality name-brand products as a tap and in a key way has transformed 172 projects with regard to improving quality and increasing variety. Including the enterprises self-planning funds, the total investments amounted to 90.49 million yuan, and in 5 years 796 new products were developed. According to statistics from 119 technological projects that completed construction by the end of 1983, in 5 years the machine industry accumulated approximately 400 million yuan from name-brand products in which it increased quality; this accounts for 31 percent of the increased output accumulated by the machine industry for the same period. It accumulated 76.37 million yuan in increased profits, and this accounts for 50 percent of the increased profits accumulated by the entire province's machine industry for the same period. In 4 years, secondary light industries developed nearly 10,000 types of products of the "4 new" category. They accumulated 800 million yuan in increased output. Up to the end of 1983, the province's industrial products had won 56 national gold and silver medals and had 210 name-brand superior-quality products and 607 provincial-quality products.

Because we carried out technological transformations for existing enterprises in a planned and emphatic manner, economic results improved remarkably. According to statistics from the provincial financial office for 480 technological transformation projects that have completed construction and gone into production, for every 1 yuan invested, output can increase by 3.13 yuan and profits can increase by 0.74 yuan.

Zhejiang Province in the management of its technological transformation projects also has a few good methods. First, it stresses close coordination between planning committees, economic committees, financial departments, banks and other departments and gives prominence to "the standard" in the selection of technological projects. It stresses the "five fixes": fix the scale, the investment, the period of construction, the results and the leading cadres for a project. At the same time as the aforementioned technological transformation projects, it arranged the technical training of workers and achieved a skilled operation after going into operation. Second, for projects already approved, it stressed construction. The provincial financial office showed initiative in coordinating the provincial economic committees to organize every year an inspection of technological transformation projects under construction, discovered the inappropriate projects, engaged in timely studies with the relevant departments and carried out the necessary readjustments. For example, they carried out inspections of 1,728 projects under construction, using more than 500 million in investments from the province's industrial and communications enterprises, and they discovered 69 projects in which it was inadvisable to continue construction due to production that was not urgent, production with an irrational distribution, inadequate technology, unsatisfactory economic results and other reasons. After engaging in study with the relevant departments, they determined to stop or delay construction and reduced the amount of investment by 61.92 million yuan.

IV. Enthusiastically Support Development of Collective Industry

Collectively owned industry (meaning secondary light industry and cooperative brigade industry) is an important strength of Zhejiang's entire industry, and the output and taxes provided constitute more than 40 percent of the province's total. It possessed fairly great economic strength and only needs to be given appropriate support to be able to develop quickly and have an important effect on increasing the supply of goods in the market, arranging employment and increasing revenue. Zhejiang's financial departments at all levels, based on the guiding spirit of the provincial party committee toward greatly supporting the development of collective industries within the scope permitted by the state's policies, greatly support the development of collective industries with regard to revenues and funds.

First, toward the collective enterprise of the relevant towns and cities, they practice the method of pre-tax profits to repay loans. In 1981 they also adopted the measure for collective enterprises of reducing by half the income tax collected. This enabled collective industries to gain great wealth with which to develop production.

Second, they give the necessary support to collective industries with respect to funds. The provincial people's government determined that in every year for 3 years starting in 1982, they would take 20 million yuan from the province's financial reserves and support the development of the economies of 11 economically backward counties. This money can be used to support both state-run enterprises and collective industry. Every year, 6 or 7 million yuan are taken from funds supporting investments for people's communes and are used to support cooperative brigade enterprises. Further, in nearly 4 years, the provincial department extended to collective industry 132 million yuan for small low-interest loans and helped enterprises engage in technological transformations. These measures have promoted the development of collective industry. Compared to 1978, in 1983 the gross industrial output of collective industry increased 1.56-fold, an average yearly increase of 20.6 percent. In 1983, the industrial and commercial taxes and income taxes provided by collective industry totaled 1.277 billion yuan, a 701 million yuan increase compared to 1978 and an average yearly increase of 22 percent.

V. Help Enterprises Do a Good Job at Consolidation with Regard to Improving Economic Results

Competently engaging in enterprise consolidation is an important road toward improving enterprise quality and improving economic results. Zhejiang's financial departments at all levels integrate the enterprises' comprehensive consolidation and earnestly help enterprises do a good job in their work of financial consolidation. Based on the many characteristics of the province's small and medium-size enterprises, they adopt the method of "overall planning, step-by-step consolidation, item-by-item checking before delivery and individual guidance." They comprehensively develop the enterprises' consolidation work based on the experimental year of 1982. Up until the present time, there are a total of 405 enterprises that have been consolidated, checked and qualified. Enterprises that have undergone a comprehensive consolidation all have strengthened their basic work, perfected their internal economic responsibility system, improved quality and raised economic results. According to statistics from the Provincial Machinery Office for 25 key enterprises that have been consolidated, checked and qualified, in 1983 gross industrial output increased 19.8 percent compared to the year before and profits increased 34.6 percent.

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INDUSTRY

CHINA'S AUTOMOTIVE INDUSTRY: PROBLEMS AND PROSPECTS

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[Article by Li Gang [2621 0474]: "The Four Dominating Factors of Developing China's Automotive Industry"]

[Text] On the occasion of the 30th anniversary of the No 1 Motor Vehicle Plant and the 20th anniversary of the Automobile Study Society, allow me in the name of the staff and workers of the China Automobile Corp and its party committee to express sincere sympathy and gratitude to all representatives at this meeting of the many specialists and scientists who for 20 years have successfully worked in the society and who have contributed to the development of our automotive industry. Today, all comrades in this industry are looking back at the history of the motor vehicle industry as it has developed in the world and in our country, are looking forward to the future prospects of our country's motor vehicle industry and are studying how to realize the historical task of further developing China's automobile industry. On this occasion, allow me to present my own personal ideas on the subject.

Since the first motorcar was built in 1885, the automobile industry has experienced an enormous development in one country after another throughout the world. In the 80 years of the 20th century, production of motorcars rapidly increased at the average annual rate of 11 percent, to reach 38.36 million cars in 1980, which is over 6,000 times the 1900 figure of 6,192 cars. On a worldwide average, over 80 cars were produced for every 10,000 persons. In all developed countries, the automotive industry now constitutes the core of the manufacturing industry and an important pillar of the national economy, in which it occupies a decisive position.

China's automobile industry was founded only after New China was established, which was 60 years later than the automobile industries were established in the industrially developed countries. In these 30 years, China's automobile industry has been built up from scratch, from a state of complete reliance on imported products and factories to an ability to initially evolve and manufacture its own new products and establish a respectable foundation of an automobile industry, and from the ability to produce only one type of car to one of manufacturing over 30 models of large, medium and small cars.

Since 1957, our automobile industry has grown at an average annual rate of four percent and, up to 1982, had supplied the nation with 2.17 million cars, creating a production capacity of 250,000 cars a year. Comparing this with the industrial base with which we started, we have to admit that our automobile industry indeed achieved great development during the past 30 years. However, considering the demands made by our developing national economy on the automobile industry, its efficiency is still very far from adequate, whether in quantity, level, variety of models or in the quality of cars produced. While China is a major nation with one-quarter of the world's population, its production is still only 1,500 of the world's car production. Our country's automobile industry must therefore rouse itself to catch up and develop at a greater speed.

In view of the goal of our national economy to achieve a quadrupling of gross national output, and the limitations of energy resources and materials industries, which are only able to achieve a doubling, the developmental goals of the automobile industry during the coming 20 years are now being computed with the tentative aim of achieving an output of more than 1 million cars and in performance and quality to achieve the world standard of the early 1990's. In the structuring of models to be produced, we shall amend the present situation of shortages of heavy-duty cars, light cars and specially equipped cars. The ratio of heavy, medium and light tonnage cars is to be 1:4:5, the ratio between passenger cars and trucks to be 2:8 and between diesel cars and gasoline cars 3:7. These are, of course, only rough outlines that will require continuous revision and perfection.

Whether the automobile industry will indeed be able to progress rapidly will, in the final analysis, be determined by three interrelated factors, namely the demand for cars in the national economy, the developmental level of related industries and the developmental capability of the automobile industry itself. China's automobile industry is entirely a socialist state-run economy. The state is carrying out a policy of "planned economy first, supplemented by market regulation." The above-mentioned three factors are therefore again determined to a very large degree by the state's system of economic organization, its policy and plan. In order to speed up the development of China's automobile industry, we must probe deeply into these aspects. The systematic reform carried out following the 3rd Plenary Session of the 11th CPC Congress has already placed the national economy on the course of a steady and sound development, and the automobile industry, too, has begun to display vigorous and rapid development. If all trades and industries will only unite in a joint struggle, accomplish all aspects of their tasks in the spirit of the ongoing reform, courageously overcome all obstacles in our advance, it will indeed be possible to say with certainty that the goal which we envisage for the year 2000 in the development of the automobile industry can be realized.

The present article intends to explore the four factors in the development of our automobile industry in the hope of "flinging a brick to get jade in return," thereby inducing our entire trade and industry to jointly give these problems their attention and thorough study.

Some data used in the present article derive from research results of technical and economic staff in the automobile, petroleum and communications and transport industries. Their arduous work has produced these results, and I am availing myself of the opportunity of our society's annual meeting to express our respect and gratitude to all comrades, present and absent, who have participated in all these areas of research.

1. Give Full Play to the Superiority of Transport by Motor Vehicles, Raise the Status of Motor Vehicles Among Communications and Transport Media

The development of our automobile manufacturing industry during the remainder of this century will mainly be determined by the development of the motor vehicle transportation industry, and the development of the motor vehicle transportation industry is again determined by its status and share of business within the domestic communications and transportation industry.

Because growth in our communication and transport capacity lagged far behind growth of transport volume, communications and transport has become a major restricting factor in the development of our national economy. The 12th National Party Congress listed communications and transport as a strategically key concern in the economic development during the coming 20 years. The question is now whether, simultaneously with the acceleration of the development of the entire communications and transport industry, we also will want to bring the superiority of automobile transport fully into play and want our automobile transportation accelerated at an even faster pace. This is an important topic the state is now facing in determining its communications and transport technology policy, because it is also a major prerequisite for the future favorable prospects of our automobile industry.

In the 80 years since large-scale production of automobiles was started, the various countries of the world have gathered a large store of mature experiences in developing the efficiency of automobiles. In competition with other media of transportation, automobiles were increasingly able to demonstrate their great vitality. Within the entire field of communications and transportation, the proportionate share and status of automobile transport have risen continuously. This was a universal trend taking place in the transport structure in all countries of the world. In the last 30 years, a dramatic change occurred in the communications and transport systems of many advanced countries of the world, where railways had for over a century been the central means of transportation, and automobile transport had now come to occupy the leading role in all forms of transportation. According to data from the Ministry of Communications, highway transportation, whether of goods or passengers, in Japan, West Germany and Britain all exceed transport by railways. Most conspicuous in this is Britain, where turnover of passenger and goods transportation by rail is only 8 percent and 19 percent, respectively, of highway transportation. In the United States with its large territory, during the period from 1950 to 1980, the proportionate turnover of intercity highway transportation of goods rose from 16.3 percent to 27.5 percent and transportation by rail dropped from 56.2 percent to 37.5 percent. Some rail lines have already been torn out and abolished. Passenger turnaround for highways has already reached 85.4 percent, and for railways this figure has dropped to

0.7 percent. In the Soviet Union, which has the largest territory, passenger transportation over highways also exceeds railway transportation. During the period from 1950 to 1980, the passenger turnaround for highways rose from 5.3 percent to 43.7 percent, and the figure for rail transportation dropped from 89.5 percent to 37.3 percent. As to goods transportation, since the Soviet Union has not developed a great variety of transport methods, especially not highway transportation, the burden on the railways is extremely heavy, so that every year losses of about 10.5 billion rubles are incurred in agriculture and industrial production because of transport difficulties. It is, therefore, their intention to raise the proportion of highway transportation to 25 percent by the year 2000 and to reduce the proportion of railway transportation to more or less 30 percent, which could greatly increase the economic results of the entire nation's transportation. Although our country has always paid major attention to the development of railways in its communications and transport construction since the establishment of our state, the growth of our highway transportation has still greatly exceeded railway construction. Comparing 1980 with 1949, the quantity and the turnover of goods transportation over the highways increased 35.6 times and 68.4 times, respectively, but the increases for rail transportation were only 11.4 times and 31 times. Even so, the turnover of highway transportation of goods accounts for only 6.4 percent of total transportation and was far from fully playing its appropriate role.

The objective basis for a change in the structure of communications and transportation is the particular superiority of each particular form of transportation under the given technical and economic conditions. The reason the growth of automobile transportation exceeds that of all other media and has assumed a leading role in communications and transportation is that compared with the other media it showed obvious advantages in many respects. These superiorities can be roughly attributed to five factors.

First, motorcar transport has advantages in surface transportation; it is the only form of modernized transport that can fully take on the task of surface transport. It cannot be replaced in this respect by such other methods of transportation such as railway, water (with the exception of a small number of waterway networks) and air transport. In China, with its 8.6 million km² of land, there are only 50,000 km of railways and only a little over 4,800 larger and smaller railway stations. The inland waterway network is 100,000 km long, but apart from moorings fit for small boats, only, there are not many harbors for boats. The civil aviation lines are only 190,000 km with only 86 airports. No matter how these are expanded in future, they will still service only transportation from point to point. Apart from a few units that have private lines (or private wharves), they all cannot take on direct transportation between production and consumption points. Surface transportation, including rural transportation or transportation between cities and the countryside or transportation inside cities, the collecting and distributing through stations and ports, etc., mainly relies on motor vehicles. Because most of this surface transportation is of a regional character, it will hardly attract the attention of the responsible state departments other than for collecting and distributing key state materials. Nevertheless, they are not at all less important than transportation over several provinces or larger regions. It has become customary to

system of the railways as the main arteries of the entire country and of the highways as the secondary arteries and capillaries. That is too much of a simplification. The movement of the whole country's goods and passengers is not merely one big circulation throughout one body, like blood in the human body, but consists of innumerable large and small circulations. Surface transportation must not only take care of the collecting and distribution in one large circulation, but must accomplish innumerable partial circulations. If these circulations meet with blockages, the economic activities of the much broader region will become impossible.

We often hear people express the following idea: because of China's large population and its surplus of labor, China has no need to go in for automation. In transportation, too, where we can use the popular forms of manpower and animal power, we also do not have to go in for modernization by means of mechanical transportation media. This view runs counter to a simple truth: our country wants to quadruple the gross output value of industry and agriculture during the remaining 20 years of this century, but manpower, figured according to the proportion of manpower in the country's population growth, can increase only 20 percent. If, by the year 2000, a labor force of 120 percent of the 1980 figure is to accomplish an output value of 400 percent the 1980 rate, labor productivity in industrial and agricultural production would have to be increased 3.33 times what it was in 1980. Within the total labor performed throughout the country, transport operations take up a certain proportion, in some areas even a very large proportion, and to arm the various departments of the national economy with modern efficient tools of transportation would have an extremely important effect on raising the productivity of the whole country. For instance, in agriculture, which is one of the strategic key areas in the national economy, according to the investigations by parties concerned, the amount of labor for transport activities in the rural areas actually takes up as much as 40-50 percent. If no attempt is made to modernize transport operations, it will obviously not be possible to raise agricultural production to any large extent or to develop our collective economy.

Along with the development of the rural commodity economy, with the more rational disposition of industrial production nearer to raw material locations and areas of consumption, with the development of specialized cooperation in production, with the development of economic zones centered around large cities, with the outward expansion of cities and the establishment of satellite towns, etc., the proportion of the transport share in labor will continue to go up and gain in importance.

For a number of years, railways will continue to be the main force in the transportation of staple commodities over large distances, but many areas of our country are not on any railway lines. Only 626 out of the country's 2,136 counties are on the railway network, i.e., only 29 percent. In the wide areas without railway connections, motor vehicle transport must take up the functions of "major" as well as "minor arteries."

The second point of superiority of motor vehicle transportation is the directness of reaching its destinations. Motor vehicles have the advantage

of directly transporting "from door to door." This can compensate for the somewhat higher unit cost compared with railway or waterway transportation over short distances or, to some extent, in long-distance transportation, and thus, in the overall effect, prove more favorable than railway or waterway transportation. The advantage of "directness" of motor vehicle transportation manifests itself in particular in three respects, namely in the benefit of lesser distances of transportation, less time consumption and better transport performances. The "lesser distance" means that transport by motor vehicles can take shortcuts and thereby have a shorter route of transportation, resulting in reduced charges. These benefits can make themselves felt in a rather broad range of situations. The advantage will show in the many cases where two points are on one side of a railway (or of a waterway), but somewhat far removed from a railway station (or harbor or wharf). Even if located on a railway line, the advantage may show up because of twists in the railway line. For instance, from Hangzhou to any one of the three cities of Suzhou, Wuxi and Nanjing the distance by rail is far longer than by highway, so that not only will the cost of transporting the passengers on these three lines be much lower than transporting them by rail, but the tickets for the passengers will also be cheaper than the railway fares. The benefit of "less time consumption" refers to the advantage derived from the speed of transportation by motor vehicle, which is usually faster than rail or waterway transportation and brings greater economic results. Greater speed is most apparent in the transportation of merchandise. Since speed will accelerate the capital turnover for the owner of the cargo, it will also reduce the interest he will have to pay and thereby increase his profits. According to statistics of the Ministry of Commerce, the tight situation in our railway transport system causes much cargo to be held up awaiting shipment. For medium distances, the transit time is generally 20-30 days, and larger distances require up to several months, while it would take only a few days if transported by motor vehicle; in some cases delivery could even take place the same day. If a ton of merchandise is figured at 5,000 yuan, every single day of delay would cost 2 yuan in interest. Assuming a difference of 20 days between the two modes of transportation, the cargo in question would have to pay an additional 40 yuan in interest, which is an amount currently equal to the freight charges for 200-300 km by motor vehicle. The benefit of "better transport performance" deserves even much more of our attention, as it manifests itself in less "losses in transit." The door-to-door shipment by motor vehicle requires only one loading and one unloading in the presence of the owner of the cargo. In this way, there will be less loss of cargo, possibly also much more simplified packing and thus savings in packing charges. Railway transportation will generally require three loadings and three unloadings in the absence of the owner of the cargo. There will be much more loss of cargo, in some kinds of cargo amounting to even as much as 10 times the losses in road shipments. The difference in the rate of losses is even more conspicuous when fresh, live, easily wasted or spoiled cargo is being transported. For instance, apples from Yantai shipped by rail 800 km to Beijing pay 25 yuan per ton sundry charges, but 142 yuan per ton if shipped by road. Looking at the charges alone would seem to make shipment by road about 100 yuan more costly. However, the losses in transit were as follows: about 50 percent of the apples sent by rail were bruised, unfit for storage after arrival in Beijing and to be sold immediately at a cheap price, incurring a loss of 240 yuan per ton. Sent by

road, only 10 percent of the apples were slightly bruised and almost all could be put into storage. Not only could they be sold in a season that allowed favorable pricing, but supplies to meet market demand were also guaranteed, so that overall the benefits were much greater than if shipped by rail. In line with the continuously improving national economy, there will be a continuous increase in the proportion of manufactured goods and high-quality goods, more and more attention will be paid to capital use time, increasing demands will be made on the quality of transportation, and in addition the transport distances for motor vehicles will be extended. All this will naturally lend more and more significance to the advantage of the "directness" of shipments by motor vehicles.

To take full advantage of this superiority of road transportation, also to avoid the shortcomings of rail transportation, but rather to take advantages of the strong points of rail transportation and raise the overall benefits from all forms of transportation, the state has already prescribed that highway transportation should take over transportation within a distance of 50 km. It is our opinion, that highway transportation should take over all transportation within a distance of 200 km, wherever vehicle and road conditions permit.

The third advantage of motor vehicle transportation over rail transport is that in passenger transportation the coefficient of load utilization is higher. A railway train carried 700-1000 passengers, while one freight train can carry 2,500 tons. Besides, the track taken up by one passenger train is 1.3 length of a freight train on single track and 2.3 times on double track, which means that for each passenger the train will transport 3-5 tons less freight, while one passenger carried by motor vehicle takes up only 100-200 kg loading capacity. This shows that a comparison of person per km transported by motor vehicle, as against being transported by railway, will not only be almost equal in costs, but energy consumption will also be almost the same. According to statistics by the departments concerned, passenger transport is increasing at an extremely fast pace, equal to about 20 times the growth of commodity transportation, while transport capacity is completely inadequate. If not promptly solved, this will grow into a serious social problem. The highway transportation of passengers, apart from its task of direct surface transportation, must of course also bring its superiority into play in short-distance passenger transportation between branch lines of the railway.

The fourth advantage of motor vehicle transportation is that it can be linked with various operational machinery, and vehicles can be built for a great variety of special uses to move operational equipment rapidly and flexibly to worksites or to complete certain operations while moving. China is now already capable of producing certain kinds of special-purpose vehicles, such as crane trucks for engineering work, concrete-mixing trucks, cars for high-altitude operations, dredging trucks, gasoline-supply trucks, well-drilling trucks, television and broadcasting trucks for communications, radar trucks, telecommunication-monitoring trucks, birth-control buses for medical purposes, x-ray examination buses, ambulances, commodity-sales buses for commercial uses, refrigeration trucks, restaurant cars for fieldworkers, shower trucks, mobile homes, sprinklers used for environmental protection work in

cleaning, street sweepers, garbage trucks, night-soil trucks and a variety of other scientific investigations and for military purposes.

Although there are other means of transport that can perform some of these operations, man lives on land, man's productive activities and life mainly takes place on land and is furthermore spread all over the surface of the earth. Every operational tool with great mobility can easily be linked up with motor vehicles. Our country is only at the preliminary stage of development of multi-purpose vehicles; there are still vast prospects for their further development. A field in other transport tool can possibly compete in.

The fifth advantage of motor vehicles is that they require little investment with a short turnover cycle, that they rapidly prove effective and that the capital investment is soon recovered. According to data provided by departments concerned, the construction of a single railway line of about 400 km with the capacity of transporting 10 million tons a year, requires an investment of about 2.2 million yuan per km and generally 5 years to complete. After completion, a few more years are needed to reach planned capacity, and capital investment will be recovered only after at least 12 years. The construction of a second-ranking highway with the same traffic capacity would require an investment of only 500,000 to 800,000 yuan per km, could be completed in about 2 years and reach planned capacity immediately after completion. After about 3-5 years of transportation, the entire capital investment could be recovered. Highways with less than 10 million tons of transportation per year could be appropriately downgraded and require even less to solve certain transport needs. This method cannot possibly be followed in the case of railways. Highways, therefore, have much greater adaptability than railways. This superiority of highway transportation will become very clear in the future construction in remote border regions and in the development of new resources.

The five great advantages of transportation by motor vehicles are far from being brought fully into play in China's present traffic and transportation. The proportion of freight transported by motor vehicles is still very small even within the framework of overall national transportation. Railways still handle much of the transportation over medium and short distances that should really be handled by motor vehicles (for instance, freight turnover for less than 100 km distances account for one-quarter of railway freight shipments). The result is that, on the one hand, transport congestion prevails on all railway lines, which, therefore, cannot cope with the present cargo and passenger loads, and, on the other hand, neither the motor vehicles nor the railways can fully display their particular strong points, which lowers the economic results of the whole transportation system.

The extremely tight situation in transportation and the irrational structure of our transportation system mean that it is an objective need of our national economic development to accelerate the development of our automotive industry, but it also means that to make this objective need become a reality, the automotive industry must exert relentless efforts. We must not passively await the need to arise, but take an active attitude in exerting an influence on

our shortcomings, stir up demands and generate users. We must continue to do a good job of organizing the vehicle market, actively launch national and economic vehicles, develop motor vehicle transportation, promote present technical results in this field to our country's departments. In short, we must, furthermore, actively participate in the determination of our state's relevant technical and economic policies and economic development plans. Simultaneously, we must introduce and widely propagate the superiority of motor vehicle transportation, in addition, fully utilize the marketing rights which we have gained for some of our products, continuously open up new areas of service and in actual practice display this superiority. In this way alone will we be able to expand the demands of society and accelerate the pace of development of our automotive industry.

11. Vehicles, Highways and Petroleum Must Be Concurrently Developed, Mutually Coordinated, Mutually Promoted

The most basic elements of motor vehicle transport are the vehicle, the road and the fuel. The superiority of motor vehicle transport can only be fully implemented when we have coordinated development of these three elements.

Shortage of fuel is at present the greatest obstacle to motor vehicle transportation and the development of our automotive industry. If we were to purely follow the slogans "transportation (i.e., motor vehicle transportation) to be fixed according to availability of oil," "production (motor vehicle production) to be fixed according to the availability of oil" and "stop driving vehicles to preserve oil," we would, of course, merely further aggravate the tight situation in our traffic and transportation and thereby affect the development of the national economy, which in turn would adversely affect the development of energy sources and create a vicious circle. These slogans, therefore, denote emergency measures that are negative and must not become a long-term policy for the balancing of our energy resources. The correct way to deal with the situation must be to earnestly analyze the reasons for the shortage of fuel for motor vehicle transportation, take positive steps to overcome this weak link and effect synchronous development of fuel and of motor vehicle transportation.

In the near future, China's petroleum production can maintain a level of about 100 million tons a year. At this level, can we achieve a development in our motor vehicle transportation and in our automotive industry? The answer is of course positive. Currently, we have somewhat over 2 million cars in use. In other countries at an annual production for consumption of 100 million tons of petroleum, the number of cars in use are: 19.94 million in the United States, 3.3 million in the Soviet Union, 10.34 million in Japan and 14.32 million in West Germany. This comparison shows that China "feeds" only a very small number of cars with its 100 million tons petroleum. The key to our present shortage of fuel for motor vehicle transport is that the 100 million tons of petroleum are not being fully utilized in a rational manner.

Existing in the automotive industry itself, the oil crisis is the gasoline consumption of the cars it produces. In cope with this problem, the China Motor Vehicle Co. resolutely instituted a policy of "low gasoline consumption, low production," and gasoline consumption was much reduced in all the 1979 new models produced last year. During the Sixth 5-Year Plan, a total of 100,000 cars or oil is planned. The Ministry of Automotive Industry, in cooperation with other transport departments, is carrying out the "oil-saving" campaign in the CA-10B model, which is in general agreement with the intended achieved very good results. In over 1 year, 120,000 cars have been converted, and these converted cars can save the state 130,000 tons of gasoline a year, compared to what they would consume without the conversion. Research into a new generation of motors that will consume even less gasoline is being conducted in all plants with the greatest urgency. According to initial calculations, the fuel that can be saved during the Sixth 5-Year Plan by these fuel-saving measures which have already been carried out during the last 2 years can guarantee sufficient fuel for the needs of the annual production of 200,000 vehicles to be achieved by 1985, an addition of production of 135,000 above the original state plan for the whole period of the Sixth 5-Year Plan. However, saving gasoline and increasing its efficiency is still the long-term strategic policy of the automotive industry. Carrying out this policy is not only to help the development of the automotive industry itself, but actually a necessity for the overall development of the country's economy and so must be firmly maintained. We must carry out the oil-saving campaign development, with respect to the engine compartment, the chassis, transmission, their design, raising fuel and mechanical efficiency, reducing air resistance, improving car tires, reducing friction, installing electronic computer controls and using substitute fuel, which further reduce gasoline consumption and relieve the pressure on the oil industry. We must carry out everything possible to obtain every new technology that can save oil and put such technology to use as quickly as possible, reduce the oil crisis. Under the circumstances we may relax our efforts in the oil saving campaign if a temporary improved car sales situation this year.

However, at present our automobiles consume only about 10% of the total of gasoline per year, which after all is a small figure held against an annual requirement of 100 million tons of petroleum. To put the low utilization rate of crude oil produce the most beneficial results for our national economy, we must effect a comprehensive analysis of the entire process and develop it in all particulars and institute comprehensive management in the fields of the question of distribution of our petroleum resources. We propose that upon first utilizing the raw material needs of our agricultural industry, whatever petroleum is turned into fuel must, as a matter of priority, be used in internal combustion engines, which cannot use anything but oil and must stop burning off crude oil and diesel oil in boiler furnaces and oil kilns. Put down on the quantity of heavy oil burned in boilers. According to statistics, the quantities of crude oil, diesel oil and heavy oil consumed in our country during 1980 were 7.6 million, 1.4 million and 2.0 million tons, respectively. This constitutes a large waste of our country's rich oil resources.

Before 1981, the Ministry of Commerce had already issued a notice to the effect of saving for oil saving measures. As oil resources are abundant only in

percent of gasoline from every ton of crude oil, the 7.3 million tons of gasoline were extracted from 51.04 million tons of crude oil. According to the data of the Ministry of Petroleum Industry, intensive processing could raise the yield of gasoline and diesel oil to 20-25 percent. If the 51.04 million tons of crude oil would have been processed intensively, they could have yielded to 10.21 million tons of gasoline and 12.76 million tons of diesel oil. By 1990, it is planned, 400,000 motor vehicles will be produced and 4 million vehicles will be in use. That year, 10.98 million tons of gasoline and 3.1 million tons of diesel oil will be required. Comparing production and requirements, there seems to be basically a balance as far as gasoline is concerned, and in the case of diesel oil there will even be a large surplus. If we add to this the effect of other economy measures, such as appropriately reducing crude oil exports, raising the octane value of gasoline, restricting long-distance hauling by tractors over public highways, developing diesel vehicles of various tonnages, promptly discarding or converting old motor vehicles, adjusting prices for petroleum products, etc., the state of gasoline shortages for motor vehicles will have completely changed. In this way, up to the year 2000, relying on the technological progress in motor vehicles, the improvement of oil refining, improvement of highways and the doubling of petroleum production to 200 million tons, we can guarantee abundant gasoline for a quadrupled motor vehicle production, supplying motor vehicle gasoline for an annual production of 1 million vehicles and the 10 million vehicles in use.

To gain full advantage from motor vehicle transportation, highway construction must correspondingly keep pace with developments. Since the establishment of our government, the highways of our country have been greatly developed. The mileage of motor roads has been increased from a length of 80,000 km in 1949 to the present 900,000 km, of which 100,000 km are national trunk lines, 150,000 km are provincial highways and 610,000 km are county or commune highways. Motor vehicle transport reaches 99 percent of all counties, 90 percent of all communes and 80 percent of all production brigades. This is a major precondition for the development of motor vehicle transportation. However, the conditions of our highways are far from adequate for the needs of increased motor vehicle transportation. Several counties, over 4,000 communes and 200,000 production brigades are not yet served by highways; these places are still inaccessible, and this state of affairs seriously impedes the development of the local economies and the improvement of the people's standard of living. There is still very insufficient linkage between highways, and especially between different provinces and districts disconnected roads are fairly common and lead to increased traveling via detours and thus to a wastage of transport energy. Technologically, the highway network ranks low; out of 900,000 km of the entire country's highways, 41 percent are not up to our lowest national standards. Among those that reach our standards, only 2.45 percent are of first and second rank, and many roads are no longer fit to bear the traffic that they are bearing. Especially in areas near certain large and medium cities and industrial and mining areas, there has been a particularly rapid increase in traffic. Because highways are of low standards, also have to bear a very mixed kind of traffic, the roads are usually congested and this is the cause of an increasing number of accidents, so that

Our vehicles cannot fully play their proper role and operate at low efficiency and high cost. As to road surfaces, only 17.6 percent are of medium, high and super-high standards, all others are gravel or topsoil road surfaces. The quality of the road surface has an important bearing on fuel consumption. If a gravel road is converted to an asphalt surface, about 10 percent in fuel can be saved. If the entire country's highways could be converted to asphalt surfaces, at least 500,000 tons of fuel could be saved every year at the present level of motor transportation. It would also lengthen the life of tires 30 percent, could raise the speed of traffic and increase efficiency, and the cost of transportation could be reduced about 15-20 percent. However, to improve road surfaces, large quantities of asphalt would be required. Because the heavy oil, which is the raw material for asphalt, is burned off in large quantities in our country, the production of asphalt is far from being able to satisfy the demand for road construction. This in turn causes fuel consumption by motor vehicles to increase and aggravates the shortage of gasoline for motor vehicles. To improve the economics of transportation, long-distance transport over highways must progressively develop toward the use of diesel motor vehicles. The cost of transportation could then be reduced from 0.2 yuan per ton/km to 0.1 yuan or less, but the present carrying capacity of the road surfaces and of the bridges is generally inadequate. The above-described conditions make it quite clear that the deficiencies in our present highway conditions are factors that restrict the development of our motor vehicle transport industry and our automotive industry, and that the reason our road construction does not meet the demands of our transport development is mainly the lack of unified planning and financing for the whole country in the practices of our state in the past. Apart from the plans for national defense, there have been no regular channels so far for investments in highway construction, and urgent measures must be adopted to solve this problem. At present, 4 billion yuan are spent annually for road maintenance. This is not a small amount and it should be spent effectively; maintenance funds must not be spent on anything else but maintaining, repairing and renovating present roads and building certain new roads. In highway construction, we must create the welcome cycle of "roads supporting the vehicles" (raising motor vehicle transport efficiency, saving fuel, reducing costs) and "vehicles supporting roads" (development of traffic and transportation, larger number of cars conducive to increase maintenance funds, efforts to raise the ranking of roads and construction of new highways). In addition, the state must also allocate special funds to build high-speed highways and interprovince trunk lines.

The developmental course of the motor vehicle transportation industry in the world, generally speaking, a process of first building roads and then buying the vehicles, and later, with the continuous improvement of road conditions, again promoting the continuous progress in design and structure of the vehicles. Japan started to build its high-speed highways after World War II, following which heavy trailer-trucks began to appear on its roads, raising the speed of such traffic and quickly producing a polarization in the tonnage structure of its motor vehicles. In the Soviet Union with its vast territory the average load-bearing capacity of highways is low. They decided, therefore, to have the Kama River Motor Vehicle Plant produce heavy

vehicles with three axles, instead of with two axles. This forced them to sacrifice on the weight-usage coefficient, but they gained in return greater usability of their motor vehicles on the somewhat inferior roads. Applying all this to our own automotive industry means that we must, on the one hand, strive to create excellent road conditions and, on the other hand, continuously improve the structure of our motor vehicles to satisfy the demands of our existing road surfaces of different structure. We must, furthermore, provide for a good technological reserve, to be able, whenever necessary, to meet the demands of the road surface after its improvement, so that our motor vehicles will be able at any time to adapt to changing road conditions in such parameters that are more sensitive to road conditions (such as economical speeds, number of axles, axle loads, deadweight, tires, road clearance, suspension, etc.), in order to obtain the highest degree of economy and transport efficiency.

Speaking from the standpoint of developing our automotive industry itself, the most restrictive factor now is, objectively, the matter of materials. This year, the automotive industry used about 700,000 tons of steel, which accounts for only a little over 2 percent of our country's total steel production. However, the supply situation for steel is extremely tight, and the automotive industry must also depend on economizing, reclaiming and substituting material to be able to increase its production. The most important measure is to raise the utilization ratio of materials, reducing deadweight of all car models, energetically reclaiming material from old vehicles and changing the composition of the various types of load tonnage. According to preliminary calculations, after carrying out the above-mentioned measures, the average steel consumption for each vehicle can, on the average, be reduced one-third. In addition, to ensure the development of the strategic key areas of traffic and transportation, it is also suggested that the state allocate more materials to the automotive industry. By the year 2000, when the materials industry will double its production, it can assure the demands arising from the quadrupling of motor vehicle production.

III. Enterprises Must be Able to Utilize Their Own Capital Accumulations to Continuously Carry Out Their Own Reforms

Many of our old enterprises have now become decrepit and must be reformed. This has become a very prominent task. It is a common failing of the over-centralized economic management patterned after Soviet Russian models. A thorough transformation must take place here through a continuous reform of the economic management systems.

This is also true of our automotive industry. Many factories established in the 1950's and 1960's are now faced with the task of reforming. To a larger or lesser degree they all suffer from producing outdated products, using outdated equipment and technologies, and the outdated knowledge of their staff. When the factories were built in the 1950's, they were among Asia's best in production as well as in technical equipment. Some had imported 1960-type products and equipment from the industrially developed countries of the West, and some had copied world-famous models. Over the past 20 years,

they have provided our nation with over 2 million vehicles and a corresponding quantity of parts and components, and nurtured a large contingent of automotive specialists; we have to admit that they have indeed made a large contribution. However, after we instituted a policy of opening up our country, a few years ago, we suddenly realized that our country's gap with the outside world had widened. In the relatively open market, our products lacked competitive strength in quality and prices, so that we could not keep our imported motor vehicles, while ours had no chance at all of being exported. If no countermeasures are taken, the gap will continue to widen in future.

Why is it that many of the automotive plants in the industrially advanced countries, although they have quite a long history, could, through continuous reforms, maintain advanced standards in their products and technologies, and our oldish motor vehicle plants became outdated and ossified? How can we avoid further overaging in our old plant even after intensive technological reforms? These are important topics that we must study thoroughly.

The principal reason for the overaging and ossification of old enterprises is the influence of "Leftist" ideology in our industrial construction. For a long period of time, we have one-sidedly exaggerated the spiritual factor in our economic construction and neglected the material conditions. We have overemphasized the role of human subjective activity, on which the slogan "three things not to be increased" is an outstanding example, a slogan that prevailed in our enterprises for a long time. According to this slogan, no new material conditions need be created to expand reproduction, it only being necessary to rely on human subjective activity. Although the policy expressed in this slogan could not possibly be carried out in actual practice--all expansion of reproduction needs to a larger or lesser degree an increase in capital and certain other material conditions--the slogan all along shackled people's way of thinking and prevented any move toward technological reform and progress in the enterprises. Under the influence of this mistaken slogan, many formulations and methods were generated that ran counter to objective law: e.g. "without either blueprint or experience" it is possible to create new products, as if it were possible to have oneself the systematic and arduous work of scientific research, planning and experimenting. "Make do with what is available, employ indifferen methods," meant that it is possible to ignore economic results and disregard all standards of quality. "First determine the question whether a product is available or not, later determine the question of quality," which in actual fact meant that only the first part was determined, while the "later determination" would not follow for a long time, so that the product was allowed to remain inferior in quality for a long time, without regard for the benefits of society and thus cheating the consumers.

The second reason was that our enterprises lacked any long-range plan and remained shortsighted. For a long time past, especially during the 10 years of turmoil, our national economy lacked a rational long-range plan, and the automotive industry could also not engage in long-range planning, merely "treating the head when the head ached and treating the foot when the foot

hurt." Enterprises would give consideration only to immediate needs, and even if they would have had certain plans, they could not have counted on any support. However, a large-scale enterprise must always prepare 5 to 10 years ahead, must prepare its next step and its third step. Certain developmental work and capital accumulations for a project 5 to 10 years hence, require for successful realization that a start be made now and that comprehensive plans be prepared.

The most direct reason for the overaging and developmental retardation of enterprises is the institution of state control over receipts and expenditures of all enterprise profits, depreciations and investments. This method, on the one hand, cannot satisfactorily provide the capital needed for the reforms of the enterprises and, on the other hand, will create a dependent mentality in the enterprises, who will then lack all zeal for capital accumulation within the enterprise, depriving the enterprises of all stimulus or vitality to further their own development. Such enterprises will have no strength to institute their own reforms.

We must employ the Marxian principle concerning the expansion of reproduction to correctly resolve the above-mentioned problems that presently exist. In his "Theory of Surplus Value," Marx pointed out that there are two causes for the year by year expansion of production: one is the continuous increase in the capital that is introduced into production, and the other is in the continuous increase in the efficiency of capital utilization. ("Collected Works of Marx and Engels" Vol 26, Part 2, p 598) Expressed in a formula for the whole country, this principle would appear as follows:

Growth rate of national income = rate of accumulation x accumulation result

Expressed for a single enterprise, the formula would be:

Growth rate of net product value = investment/net product value x growth rate of net product value/investment

The above-mentioned Marxian principle allows us to deduce the following:

If we want to achieve growth of net product value every year by the state or in the enterprises, we must introduce a certain amount of investment and increase material strength; our subjective activity is indeed a factor that will promote and ensure realization of these material conditions. We must aim at gaining greater economic results from capital funds, but must not reject capital funds as such.

Second, we must have a certain ratio of investment. The main reason why the development of the automotive industry could not satisfy the needs of society in the past was the low rate of investment (the ratio of investment to net product value). Taking the No 1 Automobile Plant as example, starting from 1964 when production reached planned capacity, the total investment in the plant was only 5.87 percent of the total net product value that it created. Since it started production the plant turned over 5.1 billion yuan

enterprise turned over to the state and 391 million yuan in depreciation charges, accounting for 63 percent of the total amount of its depreciation. However, during the past 27 years, the value of its fixed assets grew only by 390 million yuan. Of these, 220 million yuan were state investments, amounting to only 56 percent of the depreciation charges turned over, and the remaining 170 million yuan were expenditures also derived from depreciation charges but that were retained by the enterprise. The 390 million increase in fixed assets was mainly used for the expansion of product variety, multiplying production and building housing over a large area, but the depreciation charges applied for the renewal of equipment amounted to less than 30 million yuan, which had seriously affected the renewal of outdated equipment. At present, already over 55 percent of all the equipment at the No. 1 Automobile Plant is overdue for renewal with over 20 years of service life, and the situation is getting worse with every passing day. These facts clearly demonstrate that this is the result of inadequate investments and the violation of the normal renewal of equipment. The ultimate result shows that only one-third of the entire plant's depreciation charges were used for new fixed assets, over one-quarter was turned over to the state and one-tenth of the total amount of depreciation charges was used for the renewal of equipment. Of the 5.1 billion yuan which the plant turned over to the state in profits and taxes, nothing at all was used for investments in the No. 1 Automobile Plant. The Hino Automobile Plant in Japan was established even earlier than our No. 1 Automobile Plant; its present truck production is at the same scale as at our No. 1 Plant. The value of its original fixed assets was also approximately the same as that of our No. 1 Plant. Because the depreciation rate of parts was only one-third of that of No. 1 Plant, its fixed assets were, therefore, not only three times that of No. 1 Plant, its material strength was, therefore, also quite abundant and the plant suffered no lack. The main source of its developmental funds was internal accumulation. They carried out reforms every year and could, therefore, always maintain their advanced standard, be it in production, technical equipment, or in plant management and the appearance of the plant. During the 6 years, from 1972 to 1978, the fixed assets of Hino increased 72 percent, equivalent to the 60 percent increase of fixed assets at No. 1 Plant during the 7 years from 1965 to 1982, and the two-thirds part from the 60 percent increase since the 1956 inception of our No. 1 Plant. As a result, their production has, during the 6 years, increased 90 percent, they also added 11 new product series and increased the variety of products 90 percent. During the same period, the No. 1 Automobile Plant, on the other hand, increased production of motor vehicles by only 0.3 percent, and its products remained unchanged of the same kind. The development funds of Hino were made up of 100 percent from depreciation charges, which rate of depreciation was 30 percent from approximately 1970, whereas the rate of depreciation was 20 percent from approximately 1960, and used by the enterprise itself, while the rate of depreciation of our No. 1 Plant was only 13.5 percent, and mostly turned over to the state; 18 percent came from Hino's profits (accounting for 30 percent of the total profit); 1 percent were advance charges of product cost, and the remaining 7 percent came from loans. Product development funds in Hino accounted for 3.2 percent of the business expenses (the No. 1 Plant only 0.1 percent), these came entirely out of cost. The method at the Hino and the No. 1 Plant of accumulation by turning

of the enterprises' own reforms, relying on internal capital accumulation is something worth our study and emulation. In recent years, after our country instituted such major reform measures as enterprise profit sharing, contracting for progressively increasing production and taxation instead of turning over all profits to the state, the autonomy of the enterprises in financial matters was broadened and the development, welfare and reward funds were, to varying degrees, increased. At present, we must fully utilize the results of the reform, which was carried out throughout the automotive industry, of contracting for progressively increasing production, must fully tap all potential, energetically increase production, must economize generally and particularly on capital funds. In our product development and plant management we must follow the principles of using the old to nurture the new and using the new to advance the old, of achieving excellence in quality and pricing, of endeavoring to increase profits in order to create our own accumulations and thus increase our capital funds to the utmost of our abilities. In addition, we must accumulate capital from outside the enterprise through a variety of channels, for instance, strive to attract low-interest loans, domestically and from abroad, attract local investments, strive to attract investments from abroad, etc. in order to accelerate the development of our automotive industry.

Third, we must raise investment efficiency by every conceivable means. From 1980 to 1990, our production of motor vehicles shall be increased from the present annual output of 200,000 to over 400,000, the gross product value of the industry shall increase from 1.5 to 14 billion yuan, the net product value from 1.1 to 10 billion yuan, at an average 8 percent annual rate of increase. According to preliminary calculations, by various quarters, the investment required for the first 10 years will be about 2.6 billion yuan, which will amount to 23.6 percent of the 11 billion yuan of net product value, which, if it is realized, will be considered about the industry in these 10 years. In this case, an 80 percent investment efficiency must be achieved, i.e., every 100 million yuan of investment will produce 40 million additional net product value. We must do everything in our power to achieve this goal of investment efficiency and, beyond that, make further efforts to achieve an even better investment efficiency.

As investment is introduced, it is transformed into various material resources and human resources. The efficiency of the investment is determined by the correct selection of such resources and the degree of their utilization. We must use funds at the most crucial places to stimulate more effective utilization of the original resources.

We must do everything possible to shorten the work cycle, quickly achieve planned capacities and have the investment show effective results as quickly as possible. We must unite the entire automotive industry of the country to institute renewed reorganization according to the principles of specialized large-scale production, to arrive at a joint development of all. We must fully utilize the present more than 6 billion yuan of fixed assets to achieve the most effective investment efficiency. The majority of our automotive plants are now faced with the new tasks of plant reforms, reorganizations and plant renovation, as well as to improve and update products. They are faced

by the experience of history, and taking more and more methods as examples to emulate, we must pay special attention to the following: first, we must establish our organization for product development:

1. Product Development Must "Come from the Market and Go into the Market"

"Come from the market" means that the decisive policies for product development (such as what product to develop, when to develop it, production program) must be based on market information. Our idea of production planning must not be one of "building a chariot behind closed doors," must not come merely from a drawing board or from copying foreign machines, but must rather consider the various requirements of the consumers. It is, therefore, necessary, in the first order of product development, to investigate and research the market and to make a market research system made into an extremely important constituent system within the product development system, to build it up and lay it as a good measure of strength.

"Go into the market" means to have the new generation of products or any improved products, and post-sales servicing of them, introduced into the market to be appraised, and not merely consider the job done with by sending out the products to the sales agencies and the materials departments of the state. He must maintain firm command over the routing of every single product, must maintain close contacts with the users of the products and thoroughly analyze and receive any feedback from them, using such information to continuously perfect, improve and develop our product, and in this way, in a continuous back-and-forth effect of continuous improvement of product quality and standards and increase the variety of products.

Investigation and research of the market must take various directions: it must establish firm demand over sales and use conditions in domestic as well as foreign markets, and also over sales and use conditions of the domestic and foreign competitors. It must provide all information on the recent needs of consumers and also the developmental trends in the market, the most recent movements in related science and technology (S&T) and the government's understanding of the relevant policies, laws and regulations of the state.

Every product has a life cycle from its birth to its decline and death. Different business policies must be adopted toward products at different stages of their life cycle, guiding the development of most important activities. For instance, when a product just is at the stage of just being introduced into the market, it is necessary to launch a launch campaign, propaganda and advertising, etc., and internally coordinate as far as possible possible to defects that either are not yet shown up, so as to correct them as possible the introductory stage. When it reaches its stage of full growth, we must strive to give the product the highest possible growth rate and to expand production capacity as far as possible. At the stage of maturity, we must try to produce the highest rate of maturity, and to be able to maintain the high production rate and the high profit. At last, at the stage of decline and death, we must try to shorten the period of decline and death. More important still is the

necessity to make all preparations to have the best generation of products appear on the market prior to starting the life cycle of a new product. All these policy decisions can be arrived at only on the basis of thorough investigation and research of the market and a sensitivity toward market fluctuations.

At present, whatever market research is being carried out by motor vehicle manufacturers is generally rather weak. In some plants, there is no particular person responsible for such work. In some enterprises, there is no connection between market research and product planning and development, and market research is not a part of the product development system. Situations like these must be quickly remedied.

2. There Must Be a Complete Product Development System

A complete product development system must comprise various subsidiary systems covering the whole process of product development (product planning, scientific research, designing, trial production, experimentation, preparation of production, transfer to trial manufacture). The subsidiary systems must be made completely effective as to their organizational structure, composition, division of labor and the various responsibility systems; they must be provided with all necessary specialized staff and equipment, and there must also be certain independent, solid and unobstructed subsidiary systems for managerial direction and for information.

The present product development system is still faced with obstructions in many aspects of its work and ambiguity in its procedures, which seriously affect the smooth progress of product development work. The problems met with in product development work are mostly problems of new creation. Quite a few problems can only be solved by experimentation and by courageous tackling of the key problems. Some problems can only be solved by interdepartmental and interindustry work, so if need arises for new materials, new oil products, new components, new equipment, new technological data, the determination of new processing methods, new techniques or new norms for work hours. All these matters touch on the division of labor within the system itself or between different departments of the factory, and it also concerns "shattering" and "upsetting" past customs and methods. Some consider this work "beyond one's quota." We frequently encountered difficulties and obstructions in such areas as the distribution of capital and the appointment of personnel, distribution of tasks, supplies of materials, etc. They were major reasons for the past retardation in product development. It is, therefore, necessary for the factory leadership to resolutely straighten out things concerning all "beyond one's quota" work, to arrange channels, build up a regular procedure and have these matters handled as "within one's quota."

The nurturing of expert staff and providing equipment and means form the major foundation on which a good and perfect development system is built, and their quality in turn has a direct bearing on the quality and standard of product development. We must nurture an S&T contingent that consists in the three-way alliance with enthusiasm for the four modernizations, and

departments must, during the developmental process, study and ensure effective technology of product quality. These prior involvements are absolutely necessary and must of course be true from the beginning of scientific production.

In addition, in many cases, based on the accumulated data and experiments of the past and based on the factually supported improvement of design and other criteria, and despite the fact that no finalized design for the entire car or piece of machinery exists yet, certain relatively independent components or assemblies can possibly be finalized in form and could enter production preparation. Although the complete set of blueprints for a piece of equipment may not have been drawn up, it is sometimes possible, based on the main blueprints, to start on preparing material and on a semifinished product. Sometimes it is possible, based on the concrete and varying conditions of the cases of product development, to distinguish certain phases, carry out an appraisal and to start in stages on the most crucial procedures in the program of production preparation, in order to advance the entire time schedule for the project in question. Rational coordination could also be effected to varying degrees between products and technologies, between equipment design and manufacture and even between product and capital construction; in all these cases a rational coordination can, to varying degrees, be carried out. We therefore intend, when strictly implementing scientific procedures, at the same time to energetically apply ourselves to coordination in order to shorten the product development cycle and have the new products put into production ahead of time.

In order to raise the efficiency of the product development system, we must now also thoroughly strengthen the system of managerial direction of product development and institute scientific management of product development work. According to general principles of management, we must give special attention to certain basic functions in product development management.

First, we must give attention to having scientific policy decisions. Problems of policy decisionmaking occur at all stages of developmental work, e.g., decisions on how to improve products, what new products to develop, what technologies to employ, what economic values to adhere to and drawing up the initial needs for the various stages of development. These are the most important factors that will determine whether the product development system will be effective. The correct policy decisions must rely on complete market information, S&T information and on full information on the progress of the development work. It also has to rely on the judgment of the expert and collective wisdom gained through thorough analysis. In order to catch up with the advanced level of developments abroad, we must analyze the condition of most advanced products abroad and forecast their developmental trends. We must, therefore, not only be satisfied with observing the market phenomena and as consumers, but must also actively analyze and study them in the laboratory. The scientific policy decisions must of course take into account the internal and external conditions of our own national economy. "Combining the internal and external phenomena," "combining the demands of society with science and technology" and "combining the demands of science with technology and

10. The Commission has received information from the Government of the United Kingdom that the Government of the United Kingdom has decided to withdraw its troops from the Falkland Islands and to hand over the Islands to the Government of Argentina.

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INDUSTRY

SHENYANG INDUSTRY MAKES PROGRESS IN JANUARY, FEBRUARY

Beijing RENMIN FIBAO in Chinese 9 Apr 84 p 1

[Article by correspondent Yang Jicai (1799 7161 2088): "Major Profit-Making Enterprises Increase Profits and Major Money-Losing Enterprises Reduce Deficits"]

[Text] In guiding industrial production, Shenyang City observed priorities and concentrated on 50 major profit-making enterprises which occupy a decisive position in the city and four major money-losing enterprises which affect economic results. This resulted in a steady rise in economic performance throughout the city. After fulfilling its annual revenue plan 1 month ahead of time in 1983, Shenyang City increased total industrial output value and profit delivery by 28.9 percent and 11.8 percent, respectively, in the first 2 months of 1984 compared to the corresponding 1983 period.

Shenyang has 50 enterprises whose total industrial output value is over 30 million yuan and which each deliver over 3 million yuan of profits to the state. Total industrial output value and profit delivery of these 50 major enterprises account for 60 and 80 percent, respectively, of the city's total. They also control the production of more than 1,200 small enterprises which provide their supplementary products. In 1982 Shenyang City began to regard these 50 major enterprises as the focal point of the city's economic work. City authorities demanded that these 50 major enterprises conduct monthly analyses of economic activities and that bureaus in charge conduct quarterly inspections of work in enterprises under their administration. The city authorities also ordered newspapers and broadcast stations to list the names of these 50 major enterprises every quarter in the order of their economic output calculated in percentage terms. Summing up the gains and losses in economic work and analyzing the cause of the ups and downs in economic performance enabled enterprises and departments in charge to adopt appropriate administrative policies with particular reference to weak links.

To raise the profit level of major money-making enterprises, Shenyang City paid special attention to the work of changing deficits into profits for money-losing products. The city authorities instructed relevant departments to study and work out solutions for each and every money-losing product in the 50 major enterprises. In 1983 the number of money-losing products in the city was reduced by 16.1 percent, and profits increased 13 million yuan compared with the previous year.

While raising the profit level of the 50 major enterprises, Shenyang City also focused its energy on the four money-losing enterprises, including the Shenyang Tractor Plant, whose deficits were over 1 million yuan. Today, except for one enterprise which still has deficits, the other three major money-losing enterprises have already changed deficits into profits.

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INDUSTRY

FUJIAN STATE-RUN INDUSTRIAL ENTERPRISES REDUCE DEFICITS

Fuzhou FUJIAN RIBAO in Chinese 31 Jan 84 p 1

[Article by the business management office of the provincial economic commission: "State-Run Industrial Enterprises in Fujian Overfulfill Deficit Reduction Targets"]

[Text] Last year Fujian Province scored inspiring achievements in turning deficits into profits. State-run industrial enterprises in the province overfulfilled state-assigned deficit reduction targets by 10.8 percent. Compared with the previous year, the number of money-losing enterprises declined by 110, or 34 percent, and the amount of deficits declined 35.7 percent.

Last September the provincial CPC committee and the provincial government convened a meeting of administrative commissioners and mayors and a telephone conference on turning deficits into profits. Since then, leaders at all levels have comprehensively strengthened the work of turning deficits into profits for enterprises and have adopted a set of effective measures:

1. Implementing responsibility systems for turning deficits into profits centered around deficit reduction targets. In line with bureaucratic procedure, all money-losing enterprises and departments in charge of enterprises submitted "military reports" on reducing deficits to their superiors, and all money-making enterprises delivered "letters of guarantee" on increasing profits to departments in charge of enterprises. All money-losing enterprises also divided their deficit reduction targets into different tasks for different levels and assigned them to workshops, workshop sections, workgroups and individuals.

2. Focusing on the key points in the deficit reduction work of enterprises with large deficits. Fujian Province paid close attention to 47 enterprises whose individual deficits were over 300,000 yuan and whose total deficits amounted to over half of the province's total deficits. Leaders at all levels became closely involved in on-site work at these enterprises, familiarizing themselves with different situations to solve major existing problems. In addition to the Fuzhou Chemical Fiber Plant, the Hechun Lumber Yard, the Quanzhou Tannery, the Provincial No 9456 Plant and the Heping Copper Mine, 16 enterprises succeeded in turning deficits into profits, and 25 enterprises reduced deficits compared to the previous year.

3. Integrating economic restrictions and administrative means to promote the work of turning deficits into profits. Last year the provincial government stipulated that financial subsidies will not be given to those enterprises whose deficits have exceeded the permitted amount or whose deficits have increased; that bonuses will not be given to staff and workers of these enterprises; and that those enterprises which have failed to reduce deficits because of a shortage of raw materials, poor quality or high prices of products or poor management should be closed, suspended, merged or retooled. To implement resolutely the spirit of this stipulation, various prefectures closed and suspended 11 enterprises, retooled 16 enterprises and fired a few enterprise leaders on the spot, including those at Yongan No 5 Plastics Plant.

4. Enhancing supervision and promotion of the work of turning deficits into profits. The provincial government transferred cadres to form nine inspection groups on different occasions. Led by leaders of provincial offices (corporations), these groups went to prefectures and cities to inspect the work of turning deficits into profits and to help relevant enterprises make a success of deficit reduction work. Last November, for example, Fujian Province experienced water and power shortages which limited industrial production. The inspection groups actively cooperated with various prefectures to overcome difficulties and minimize the adverse effects of the limited electricity supply. Thanks to such effective measures, the amount of deficits reduced by Sanming City, Jianyang Prefecture, Longyan Prefecture and Fuzhou City surpassed the provincial average.

12302

CSO: 4006/486

INDUSTRY

HUBEI INDUSTRIAL ENTERPRISES REDUCE DEFICITS

Beijing RENMIN RIBAO in Chinese 4 Apr 84 p 1

[Article by correspondent Wei Haimin [7614 3189 3046]: "Hubei Focuses This Year's Work of Turning Deficits Into Profits on Increasing Profits"]

[Text] In the first 2 months of this year, Hubei Province scored inspiring achievements in the work of turning deficits into profits. Compared with the same period last year, the number of budgetary money-losing industrial enterprises declined 30 percent, while deficits declined 44 percent.

Last year the number of budgetary money-losing industrial enterprises and the amount of deficits both declined 48 percent. However, because the efforts devoted to increasing enterprise profits were insufficient, two problems remained: 1) money-making enterprises had many money-losing products and 2) their profit level was low. To make further progress in turning deficits into profits this year, Hubei authorities suggested that measures integrating economic policies and administrative means be adopted, that deficits be reduced on the one hand and profits be increased on the other, and that special efforts be made to increase profits.

1. All profitable enterprises in the province are required to reduce the losses caused by their money-losing products by 35 percent compared with last year and are urged to reduce them by 40 percent. It is also stipulated that on the condition that they simultaneously increase output value and profits and taxes returned to the state, those enterprises which have fulfilled their task to reduce losses caused by money-losing products are allowed to be exempted from 80 percent of the regulatory taxes levied on the portion of profits they made by reducing deficits. Those enterprises which have eliminated all money-losing products are allowed to be exempted from all regulatory taxes levied on the portion of profits they made by eliminating deficits.

2. Cost management should be strengthened to reduce the cost of products and raise enterprise profit levels. Last year the cost of comparable products in all budgetary enterprises in Hubei Province declined only 0.96 percent. This year all budgetary enterprises in the province are required to reduce their cost of comparable products by 2 percent. Departments in charge should pay special attention to the 43 key enterprises that each deliver over 10 million yuan of profits and taxes to the state each year, amounting to over 60 percent of the province's revenue. Departments in charge should adopt concrete measures to help them fulfill their tasks of reducing costs and increasing profits.

INDUSTRY

GANSU IMPROVES ECONOMIC RESULTS IN JANUARY, FEBRUARY

Beijing RENMIN RIBAO in Chinese 2 Apr 84 p 1

[Article by reporters Zhou Guohua [6650 0948 5478] and Cao Yongan [2580 3057 1344]: "Industrial and Commercial Enterprises in Gansu Province Show Comprehensive Economic Improvement"]

[Text] Since Gansu Province reduces deficits on the one hand and increases profits on the other, economic results continue to improve comprehensively. Last year the number of industrial enterprises with deficits declined 61 percent while the output value and profits of industrial enterprises increased by a wide margin in the province. On this basis, in the first 2 months of this year, the amount of deficits in these enterprises declined 55.3 percent compared with the corresponding period in 1983. The deficits of commercial and grain departments which always had deficits also markedly declined. The number of commercial enterprises with deficits declined 20 percent compared with last year's corresponding period, while total industrial output value and revenue of the province increased 18.2 and 24 percent, respectively.

Since last year, leading comrades of the Gansu Provincial CPC Committee and Government have been closely involved with over 100 enterprises in eight prefectures, conducting concrete discussions and studies of ways to turn deficits into profits. They have focused their attention on 17 units whose deficits are over 1 million yuan and 29 units whose profits are over 3 million yuan. After conscientiously summing up last year's experiences in reducing deficits, this year the work of reducing deficits and increasing profits in Gansu has proceeded in a more down-to-earth manner. Establishing economic responsibility contracts provide an important guarantee for Gansu's enterprises to change deficits into profits. Responsibility contracts concluded by the province with enterprises and units at the prefectural and county levels have increased from 183 last year to over 900 today. These responsibility contracts clearly specify enterprise targets and tasks and measures concerning their rewards and penalties, and integrate these terms with the promotion and demotion of cadres and the welfare of staff and workers. Enforcement of this measure eliminated the bureaucratic workstyle of certain responsible departments and leading cadres who used to shift responsibility and dispute over trifles. It also enhanced the sense of responsibility and aroused the enthusiasm of the broad masses of staff and workers.

To help those units whose deficits are caused by backward technology, relevant departments at the provincial level have either organized forces to help them transfer technology or invited technology advisers to work for them. Over 30 experts, professors and engineers from the Gansu Provincial Scientific and Technological Commission and other research units formed 12 service groups to give enterprises instructions geared to their needs. With the assistance of the provincial scientific and technology commission, the Lanzhou Pesticide Plant, which is among those units whose deficits are caused by policies, is now trial-producing a new variety called "Yan Mai Wei" [3601 7796 3956]. This new pesticide is more than twice as effective as old products while being half as costly to produce. After this new variety is put into production, the pesticide plant will be able to turn deficits into profits.

12302

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INDUSTRY

HUNAN INDUSTRIAL PRODUCTION IMPROVES IN FEBRUARY

Changsha HUNAN JINGJI XINXIBAO in Chinese 25 Mar 84 p 1

[Article: "Industrial Production in Hunan Takes a Turn for the Better in February--Total Industrial Output Value Increased 6.1 Percent Over the Corresponding Month of Last Year"]

[Text] Industrial production in Hunan showed a turn for the better in February. In spite of a serious power shortage, the total industrial output value of our province reached 1.392 billion yuan, a 6.1 percent increase over the corresponding month of last year, reversing the situation of decreased production in January. Of Hunan's 15 prefectures and cities and 12 provincial industrial offices (corporations), 10 prefectures and cities and 7 offices (corporations) increased production. The output of most major industrial products increased over the corresponding month of last year. Coal production continued to increase, the machine-building industry experienced steady growth, and the output of copper, lead, cement, timber and other raw materials increased in various degrees over the corresponding month of last year. But the production of pig iron, steel, steel products, ferroalloy, zinc and calcium carbide, which consume a large amount of energy, continued to decline.

Since last fall and winter, precipitation in our province has decreased. Due to insufficient water reserves, the water level at various hydroelectric power stations has been very low, causing problems for hydroelectric generation. In January and February of this year, Hunan's hydroelectric power output fell off by 51.1 and 46.2 percent, respectively, compared to the corresponding period of last year; and even though thermal power capacity was increased, because of a coal shortage, thermal generators could not operate at full capacity. Consequently, the overall output of electrical power in Hunan declined substantially compared with the same period last year. This has created serious difficulties for industrial production.

With such a tight power supply, our province guaranteed priority of power supply to light industrial production, resulting in sizable growth in light industrial production. In February, the total light industrial output value of our province increased 9.3 percent over the same month in 1983, surpassing the 3.6 percent increase in heavy industry. Total industrial output value of enterprises subordinate to the provincial electronics company increased 49.5 percent. The output of textile products such as chemical fiber, chemical fabrics, silk, silk

products, wool fabric and gunnysacks also increased by varying degrees. The production of wristwatches, hide and leather shoes increased 8.4, 7.5 and 11.9 percent, respectively. However, the production of high-grade light industrial products such as bicycles, sewing machines and household washing machines continued to decline.

In current industrial production, it is necessary to pay special attention to efficiency of power utilization, strive to reduce consumption and increase the production of readily marketable products. What is noteworthy is that spring plowing is near but the output of agricultural-oriented products such as chemical fertilizer and pesticides has decreased for two consecutive months. Because of this, active efforts should be made to organize the production of agricultural-oriented products to satisfy the needs of agricultural production.

12302

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INDUSTRY

BRIEFS

FUJIAN INDUSTRIAL OUTPUT--Fujian Province's total industrial output value in the first 4 months of 1984 was close to 3.4 billion yuan, up 12.3 percent from the same period of last year. [Excerpt] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 13 May 84 OW]

SICHUAN INDUSTRIAL PRODUCTION PROGRESS--New progress has been made in industrial production in the province in the first quarter of the year. Of the 18 prefectures and cities, 11 localities have made progress in production, delivery of profits and taxes, and financial revenue turned over to the state, comprising Chongqing, Zigong, Dukou, Fuling, Neijiang, Leshan, Mianyang, Daxian, Yaan, Liangshan, and Aba. In the first quarter of the year, local industries and enterprises in the province within the budget realized 20.06 yuan of taxes and profits per 100 yuan output value, an increase of 5.25 percent over the same period last year. Above the average level of the province were eight localities, comprising Chengdu, Dukou, Luzhou, Mianyang, Yaan, Aba, Garze, and Liangshan. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 7 May 84 HK]

SICHUAN APRIL INDUSTRIAL PRODUCTION--Sichuan Province's gross industrial output value in April was 3 billion yuan, which was 1.3 percent more than in March. Of 18 cities, prefectures, and autonomous prefectures, the gross industrial output value in 12 prefectures in April was more than in March. The profits submitted to the state by local industrial enterprises in April was 93.46 million yuan, an increase of 10.1 percent over March and an increase of 54.9 percent over April last year. [Summary] [HK020855 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 19 May 84]

CSO: 4006/568

CONSTRUCTION

TECHNICAL MEASURES OF URBAN AND RURAL CONSTRUCTION

Beijing JIANZHU [ARCHITECTURE] in Chinese No 3, 7 Mar 84 p 27

[Article by Wang Sen Hua [3076 2773 5478] of the Bureau of Science and Technology: "The Main Points of the Technical Policies for Constructing Cities, Villages and Towns"]

[Text] The Discussion and Demonstration Convention for the Technical Measures of Urban and Rural Construction was held in Beijing from 14-20 January 1984. More than 130 technical specialists, professors and scholars with different special fields and from the relevant departments of the State Council, some provinces, cities and universities and colleges attended the convention. Based on the discussion and demonstration material provided by the Ministry of Urban and Rural Construction and Environmental Protection, the convention was jointly held by the State Planning Commission, the State Economic Commission and the State Science and Technology Commission. After widespread and profound research and revision, two drafts of the main points of the technical measures for constructing the cities, villages and small towns were drawn up. It would be revised again according to the suggestions of different departments, provinces and cities and then sent to the higher authorities for ratification and listed as a state technical measure.

As a policy-making document for the guidance of the development of science and technology and of economic construction, it was considered by the convention to have the same significant meaning as economic and social policies. Due to the fact that urban and rural construction deals with a wide range of fields, it is actually a comprehensive and overall science. Therefore, it is necessary to formulate the technical measures of urban and rural construction.

The convention, starting from summarizing the fundamental experiences and lessons since the founding of our country, carried on research for putting forward the direction of developing the cities, villages and small towns--the goal of development until the end of this century--and the technical measures that ought to be followed to reach these goals. As for urban construction, a great many socialist and modernized cities with Chinese features should be constructed according to the possibilities of development in different areas. Also, they should be suited to the level of our state economic and social development. In order to reach this, the following should be observed:

1. According to the economic and social development conditions in different areas, form a rational setup of cities and towns.
2. Control the size of the big cities, rationally develop the medium cities and actively develop the small cities.
3. Subject the different construction items in a city to unified planning, with due consideration for all concerned, and have a rational layout.
4. Pledge to provide the land, economize on land and use the land rationally.
5. Gradually reform the old cities.
6. Pledge that the construction of basic facilities go first and gradually realize the overall exploitation and unified construction.
7. Protect the city water resources and raise the technical level of the purification of water.
8. Change the combination of fuels, hasten the realization of the gasification of fuel and actively develop the city supply of central heating.
9. Hasten the construction of city streets, transportation and communication and give priority to the development of the city public transportation.
10. Hasten the construction of city hygiene facilities and intensify the management of environmental sanitation.
11. Devote major efforts to developing the city green land and construct the modernized gardens.
12. Develop the scenery resources and protect the scenic spots.
13. Intensify the monitoring and prevention of pollution and protect the city environment.

As for the villages and small towns, with the growth of agriculture toward modernization, socialization and commercialization, it is necessary to build our villages and small towns, which are relatively backward at present, into new villages and small towns, based on the development of economic construction. They should have a rational layout, with convenient transportation, perfect facilities, nice environment and different features and should be modernized, civilized and socialist. In order to reach this, the following should be observed:

1. Considering the villages and small towns as centers, develop different types of setups of the villages and small towns with uniform growth.
2. Formulate the layout of the villages and small towns and proceed with construction in a planned way.
3. Combine reform with new construction and give priority to reform. Gradually construct the new socialist villages in small towns.

4. Construct different kinds of buildings and facilities with rural features.

5. Spread the applicable techniques and raise the technical level of construction in the villages and small towns.

The leading comrades of the State Council paid great attention to the convention. At an interview with the specialists attending the convention, Vice Premier Li Peng [2621 7720] pointed out that a city is a political, economic as well as cultural center which gives an impetus to the broad rural areas. In the reform of the system of organizations, a lot of places have already combined the prefectures and the cities. The function of a city will be greater and greater. In the past, great success has been achieved in city construction, but a lot of problems exist. The main reasons for these problems are: the lack of master plans, no available completed technical measures, blindness in construction and the need of being brought into the orbit of scientific management. Vice Premier Li pointed out that the leading cadres at all levels should pay great attention to the results of this convention, and stress should be put on bringing the city construction into the "Seven Five" Plan, thus making it a composite part of economic and social development.

Minister Li Xi Ming [2621 6932 6900] and Vice Minister Chu Chuan Heng [0328 0278 0077] of the Ministry of Urban and Rural Construction and Environmental Protection, Comrade Wu Ming Yu [0702 2494 3942] of the State Science and Technology Commission, Comrade Lin Han Siong [2651 3352 7160] of the State Economic Commission, etc, successively gave speeches at the convention. In addition, 36 specialists, scholars and leading comrades made speeches at the convention. The opening of the convention would definitely play an active, motivating role in further bringing city construction into a scientific orbit.

12631

CSO: 4006/404

TRANSPORTATION

WUHAN TO BUILD NEW 12 BERTH SHIPPING PORT

HK060749 Beijing ZHONGGUO XINWEN SHE in Chinese 1237 GMT 5 Jun 84

[Report by Liu Yusheng [0491 7625 3932]: "Wuhan Is Going To Build a New Port With 12 Berths at Yangluo"]

[Text] Wuhan, 5 Jun (ZHONGGUO XINWEN SHE)--The morning, I travelled on a hovercraft from Wuhan customs down the Changjiang and arrived at Yangluo, 30 km away from Wuhan, in half an hour. This is the location where Wuhan will build a new port with 12 berths. By 1990, the handling capacity of this port will reach around 10 million tons of cargo.

The river here is wide and is 10 meters deep even during dry season, which are the favorable conditions for building a port. It is said that after the Yangluo new port is built, it will be a modern port for berthing seagoing vessels and for loading and unloading coal, grain, sundry goods, and containers.

Wuhan has also planned to construct a highway along the river connecting the city with the Yangluo new port. A special railway line extending 38 kilometers will also be built to link up the Yangluo new port with the Beijing-Guangzhou Railway. With the construction of the Yangluo new port, the current population of 50,000 in the vicinity of Yangluo town will be increased to 300,000 and Yangluo will be one of the satellite cities of Wuhan.

I saw very few ships in the 30 km from Wuhan to Yangluo. The Changjiang system has more than 3,600 big and small rivers and streams and the navigation mileage of its trunk stream and tributaries can reach 18,000 km. It is estimated that the transport capacity of the vast Changjiang is equal to 20 railway lines. However, its current transport capacity is only over 500 million tons which is equal to the role of only a multiple track railway. The gap is wider if compared with the transport capacity of 180 million tons on the Rhine and 400 million tons on the Mississippi. Wuhan, which is a selected point to undergo the reform of the economic system, will take advantage of the Changjiang to build itself into China's largest seaport and trading center.

CSO: 4006/568

TRANSPORTATION

BRIEFS

SHANDONG RAILWAY CONSTRUCTION--The construction of Yidu-Yangjiaogou railway project, undertaken by No 2 engineering section of Jinan railway bureau in Shandong Province, started on 4 May. The railway is 72.9 kilometer-long and will link Jiazhouwan and Jinan railways in Yidu. The construction will be completed by the end of 1985. [Summary] [Jinan DZAHONG RIRAO in Chinese 5 May 84 SK]

SICHUAN SHIPPING COORDINATED TRANSPORT--After Sichuan Province decided, through consultation with Jiangsu Province, to organize the Changjiang combined fleet, it recently reached an agreement with Guangdong and Liaoning to cooperate in making concerted efforts to develop river and sea coordinated transport. It is estimated that the first combined fleet of the three provinces will begin service in the second half of this year. [Summary] [Chengdu Sicuan Provincial Service in Mandarin 0030 GMT 15 May 84 HK]

LIAONING RAILWAY EXPANSION--The Dalian City People's Government, Liaoning Province, has appropriated more than 10 million yuan to build new supplementary railway and its facilities, such as revamping the railway station of Northern Dalian, expanding the Nanguanling railway station, and newly building the third supplementary line between (Shahekou) and (Zhoushuizi) stations. After completing the construction, Dalian City can increase its railway transport capacity by 10-30 percent. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 23 May 84 SK]

SHAANXI ROADS, MOTOR VEHICLES--Since liberation, roads and communications work in Shaanxi Province have greatly developed. By the end of 1983, total length of roads throughout the province had reached over 36,800 kilometers and the total number of motor vehicles for civilian use was 68,370, an increase of 7.5 times and 69 times, respectively, over 1949. The province began building roads in 1921 and had motor transport the next year. However, roads and communications in the province before liberation developed very slowly. For 28 years after 1921, the province built roads totaling only 4,300 kilometers, and road quality was inferior. Only some 1,900 kilometers could be opened to traffic. Now, the province has 53 main highways and 1,757 feeder highways, basically forming a network of highways radiating in all directions. In the whole province, 99 percent of rural communes and 70 percent of brigades have been connected by highways. The quality of the roads has been constantly

improved and some 24,640 kilometer of roads have measured up to the state standard of roads. Service is now operating in 65 percent of the communes throughout the province. The number of passengers transported in 1983 was 75.12 million people. [Summary] [HK020904 Xian Shaanxi Provincial Service in Mandarin 0330 GMT 16 May 84]

SHANGHAI-MEDITERRANEAN CARGO ROUTE--Shanghai, 17 May (XINHUA)--A regular cargo shipping service between Shanghai and the northern coasts of the Mediterranean Sea has been opened, Li Kelin, manager of the Shanghai Ocean Shipping Company, announced today. Setting sail on the 21st of each month from Shanghai, the company's four ocean-going vessels of 15,000 to 18,000 tons will ply the route to go to the ports of Genova in Italy, Marseille in France, and Barcelona in Spain. They will carry containers and sundry goods. With 139 vessels totalling 2.4 million tons, the company now runs 13 regular ocean shipping routes to Western European countries, Japan, Australia, the United States and Hong Kong. Its ships call at more than 400 ports in 100 countries. A container ship voyage between Shanghai and Western Europe will be cut from the previous 90 days to 75 days, Li said. [Text] [OW171344 Beijing XINHUA in English 1335 GMT 17 May 84]

TIANJIN-W. EUROPE SHIPPING--Tianjin, 2 Jun (XINHUA)--A ceremony was held at the Tianjin new harbor today to mark the opening of China's first container liner service between the port city of Tianjin and Western Europe. The container liner, "Tanghe" of the Shanghai Ocean Shipping Company will call at Hong Kong, Singapore, London, Antwerp and Rotterdam before arriving at its destination, Hamburg. Two container liners are scheduled to set out every month, one from Tianjin and the other from Shanghai, for Western Europe. It is expected that the container liner service will cut the time required for the return trip from 90 days to around 75 days. [Text] [OW021700 Beijing XINHUA in English 1609 GMT 2 Jun 84]

RAIL ELECTRIFICATION PROJECT--Kunming, 19 May (XINHUA)--The second phase of an electrification project on a major east-west railway line across the Yunnan-Guizhou Plateau in southwest China began this month. The project is aimed at raising the annual freight capacity of the 636-kilometer line, which runs between Guiyang, capital of Guizhou Province and Kunming, capital of Yunnan Province, from its present 6.9 million tons to 19 million tons. The first phase, on the 247-kilometer section between Guiyang and Shuicheng, a newly-emerged center of coal industry in Western Guizhou, began in 1982 and is expected to be completed next year. The second phase, on the 389-kilometer section between Shuicheng and Kunming, will be finished in four to five years. [Text] [OW191128 Beijing XINHUA in English 0657 GMT 19 May 84]

QUANGDONG TOLL BRIDGE OPENS--Guangzhou, 1 Jun (XINHUA)--A reinforced concrete highway bridge, built on the Dongjiang river with funds collected among the local people and state loans, opened to traffic today in Dongguan County east of Guangzhou city. Located in Shilong town, the bridge is 399.8 meters long and nine meters wide with two approaches totalling 385.7 meters. It runs parallel to the bridge of the Guangzhou-Shenzhen railway. About 1,000 vehicles and several thousand pedestrians crossed the Dongjiang river each day by ferry boat. The local people decided not to wait and rely on government

investment alone. Funds were raised among local collective organizations and people, and loans were borrowed from the bank and the local government. Construction of the bridge took three years from October 1981 to April 1984. A fee will be charged on all vehicles crossing the bridge. According to an official in charge of bridge traffic, a sum of 750,000 yuan (about 375,000 U.S. dollars) is expected to be collected in this way every year, and this means that all funds raised from collectives and individuals and government loans will be recovered in 6 to 7 years. [Text] [OW011734 Beijing XINHUA in English 1651 GMT 1 Jun 84]

CSO: 4020/133

PUBLICATIONS

BRIEFS

SHANGHAI INDUSTRIAL, BUSINESS DIRECTORY--Shanghai, 5 Jun (XINHUA)--"A directory of industrial and commercial enterprises in Shanghai" has just come off the press here to provide both Chinese and overseas firms with information on the economy and trade of this leading industrial city in China. The directory, edited by XINHUA News Agency and published by the XINHUA Publishing House, lists more than 3,400 enterprises and research institutes, in a total of 1.5 million Chinese characters. It also lists the main product, business scope, address and telephone number of each organization. Also listed are foreign trade corporations and organizations offering advice on import and export. An English version will be published soon for sale in China and abroad, according to the publishers. In the preface, Shanghai Mayor Wang Daohan calls the directory "an economic link between Shanghai and the other parts of China, and the rest of the world." [Text] [OW051422 Beijing XINHUA in English 1359 GMT 5 Jun 84]

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